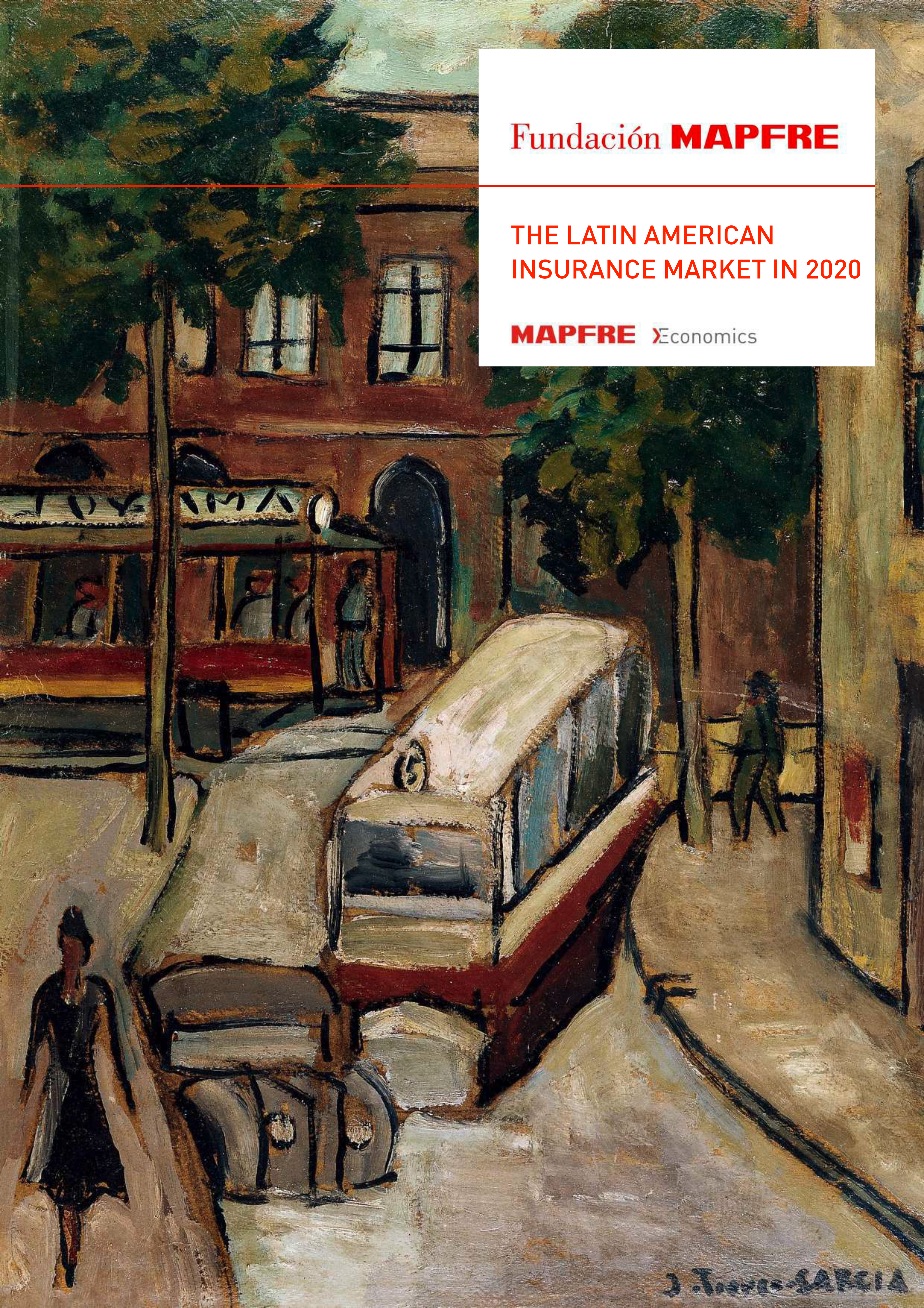

Fundación MAPFRE

THE LATIN AMERICAN INSURANCE MARKET IN 2020

MAPFRE Economics

The Latin American Insurance Market in 2020

Joaquín Torres-García
Urban Landscape (1940)
Oil on cardboard

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MAPFRE Economics recognizes and appreciates the valuable collaboration of the regulatory and supervisory bodies of insurance markets in Latin America. Their participation and support have contributed significantly to the creation of this report.

Contents

Background

In 2020, socioeconomic conditions in Latin America were heavily affected by the coronavirus pandemic, exacerbating existing disparities and vulnerabilities. The insurance business was no exception and it suffered the consequences of the crisis caused by the pandemic, as shown in the latest edition of *The Latin American Insurance Market in 2020* prepared by MAPFRE Economics and published by Fundación MAPFRE. This report analyzes the performance of the insurance industry in 2020 and its evolution over the course of the last decade, beginning with a brief description of the region's economic situation and then delving into the insurance industry's behavior, examining its structure, concentration, and the performance of its primary lines of business. It also provides an overview of the primary structural trends of the regional market in the 2010-2020 period, as well as an update on the Insurance Protection Gap and the details of this gap in each of the 19 markets analyzed.

As the study concluded, the Life segment took the biggest financial hit caused by the COVID-19 pandemic, with a -18.7% drop in premiums, while Non-Life, although also affected, proved more resistant with a negative change of -6.1%. As a whole, the premium volume in Latin America amounted to 134.36 billion dollars in 2020, -11.9% less than the previous year, heavily impacted by the effects of exchange rate volatility in the region as the major currencies saw devaluation. Nevertheless, in the local currency and at face value, only four of the 19 markets analyzed showed negative revenues from premiums compared to 2019, a figure which increases to 10 when real values are compared.

Moreover, the acceleration of digitization caused by the pandemic is having a positive effect on the transformation of the insurance industry in the region. This process now appears unstoppable and necessary for the future development of the sector, and the development of a regulatory framework will be key to driving it.

One of Fundación MAPFRE's objectives is to spread awareness and a culture of insurance and social protection, and the yearly publication of this study on the Latin American insurance market is part of that objective. We hope this report will be useful to anyone interested in understanding the changes that have taken place in the industry over the course of the last few decades.

Fundación MAPFRE

Introduction

As in previous editions, this *Latin American Insurance Market* report aims to provide an analysis of the insurance industry's performance in the region from both a general perspective and from the standpoint each of the markets that make up the insurance business in Latin America. This analysis proves especially relevant in light of the complex economic situation caused by the COVID-19 pandemic.

Based on a review of the economic and demographic context, the report shows the major figures and trends of the insurance markets in Latin America, analyzing aspects such as premium growth, the major line items on the aggregated industry balance sheet, investments, technical provisions, and the industry's results and profitability. It also includes an assessment of the major structural trends of each of the region's insurance markets based on analysis of the evolution of the indicators: insurance penetration, density, and depth, and offering a new estimated Insurance Protection Gap and Market Evolution Index.

The report also includes 2020 rankings of the major insurance groups operating in each of the markets in Latin America, as well as an analysis of the industry's concentration trends in each country. Finally, it presents an overview of the major regulatory adjustments occurring in 2020, based on information provided by Latin American supervisory bodies.

We believe that this new edition of our report provides a general overview of the behavior and performance of the insurance industry in Latin America and that, to that extent, it will contribute to the insurance industry continuing to contribute to the region's economic and social development.

MAPFRE Economics

Executive Summary

The Global Economy and the Insurance Industry

The global economy suffered the largest recorded plunge since World War II in 2020 with a -3.2% drop in global GDP (compared to 2.8% growth in 2019), as a result of the situation caused by the COVID-19 pandemic. This drop affected developed, emerging, and developing countries, with a -4.6% recession in advanced economies (compared to 1.6% growth in 2019), motivated mainly by the real contraction of -3.5% of the GDP of the United States, -6.7% of the Eurozone GDP, and -4.7% of the GDP of Japan. The aggregate downturn for emerging and developing countries in 2020 was -2.1% (compared to 3.7% growth in 2019), less than developed countries due to the better performance of the Chinese economy, which decelerated notably compared to the previous year, but did not shrink.

Though extraordinarily severe, the global economic impact was lesser than initially forecast thanks to fast vaccine development, the reopening of the economy, and the implementation of expansive monetary and fiscal stimulus packages, which marked the second half of 2020. In 2021, markets like the United States and China (two engines of the global economy) led the way to a recovery largely conditioned by the capacity to maintain support for vaccines and the pace of vaccination campaigns. The economic recovery has therefore been unequal, especially in emerging and developing countries that, on the one hand, have made slower progress vaccinating people and, on the other, have practically exhausted their fiscal and monetary capacity, forcing them to reverse some of the measures they adopted initially.

While the global insurance market in 2020 was hit heavily by the economic effects of the COVID-19 pandemic, it also benefited from extensive monetary and fiscal aid packages, proving itself to be solvent and profitable and seeing smaller declines in business than in previous global crises. In 2020 global premium volume reached 6.3 trillion dollars, with a real decrease of -1.3% compared to 3.0% growth the year before. The Life segment was the most affected – mainly savings products – as it faced the effects of a deep economic crisis causing dashes for cash given the heightened uncertainty in addition to low interest rates in developed markets and reduced interest rates in emerging markets. Non-Life insurance, for its part, proved more resistant to the crisis, helped by generous aid packages for individuals, families, and companies as well as positive performance from the Health segment, the line of business that grew most across the board in global insurance markets. The acceleration of digitization prevented insurance business underwriting from ceasing outright.

The Economy and the Latin American Insurance Market

The economy of Latin America and the Caribbean contracted greatly in 2020, at around -7% (compared to the limited growth of 0.1% in 2019). Lockdown and social distancing measures adopted as a result of the pandemic at nearly the same time in all regions of the world, caused a significant contraction in consumption, investment, and world trade, accompanied by plummeting prices of oil, minerals, and other raw materials the region is a net exporter of. All of this, combined with other factors like a drop in tourism, caused an unprecedented contraction of aggregate supply and demand in the region.

Some of the endemic structural problems in Latin America and the Caribbean, including informal labor relations, exacerbated the extensive economic contraction, one of the largest in the region for emerging economies. In turn, other endemic problems related to low employment and productivity were also compounded, fueling inequality, poverty, social tensions, and political uncertainty. A substantial increase in fiscal deficits and debt levels compared to the GDP were also added to this list in most of the region's economies. In the first half of the year, the turbulence on financial markets caused by the economic effects of the pandemic triggered major outflows of investment from the portfolio of the region's economies, as well as significant depreciation of their respective currencies vs the dollar, but in the last few months of the year and in 2021, they began to moderate and even reverted in some cases.

As occurred in advanced economies, in Latin America and the Caribbean, the central banks intervened quickly applying ultra-accommodative monetary policies with slashed interest rates in addition to non-standard credit support policy measures. Governments approved fiscal aid packages for individuals and families, especially vulnerable ones, to bolster healthcare systems and protect a production structure highly based on small and medium-sized enterprises.

According to Economic Commission for Latin America and the Caribbean estimates, the region could begin to partially recover in 2021, with a growth forecast around 5.9%, due to revived investment and foreign demand, aided by rebounding raw material prices and the recovery of the two major global economies the United States (a significant source of remittances) and China, its two major trade partners. The recovery of domestic consumption will also help, but to a lesser extent until pre-crisis employment levels are recovered.

Insurance Market Performance in Latin America

Total premiums in Latin America amounted to 134.36 billion dollars in 2020, of which 57% came from Non-Life insurance and the remaining 43% from Life insurance. Aggregate premiums for the insurance industry in the region fell -11.9% compared to the previous year, largely caused by the contraction of the Life business and exacerbated by the effect of significant exchange rate depreciation for the currencies in the major markets. Premiums in the life insurance segment fell sharply by -18.7% in dollar terms (compared to 5.1% growth in 2019), while premiums in the Non-Life segment dropped by -6.1% (compared to -1.1% in 2019). On the whole, Latin American insurance market participation around the world fell again due to poor performance of the Life business and, to a lesser extent, the Non-Life business. The abrupt downturn of the Life business can be largely explained by the significant decline in this line of business in Brazil, Mexico, Chile, and Colombia, as well as the effect of currency depreciation in these economies, although, they also suffered real declines in their respective local currencies, especially in the case of the Chilean market.

Life insurance was affected by ultra-accommodative monetary policy measures implemented by the central banks of the region's economies (with significant cuts to interest rates), complicating business for Life savings and life annuity insurance as the guaranteed yield on the products sold had to be reduced substantially. Compounding this, there was also the abrupt economic contraction and a dash for cash, as often occurs in highly uncertain times like this crisis, causing economic players to prefer to hold onto their savings in cash as opposed to make other kinds of medium or long-term investments.

In the aggregate, the Non-Life segment in Latin America and the Caribbean saw performance highly in line with this business segment in other regions of the world: a significant drop in the volume of the Auto business (representing 16.2% of all premiums in the region), partially offset by the Health business (representing 15% of all premiums), which has had counter-cyclical performance as is often the case during major economic crises, especially this health-related one.

These drops in real figures in local currencies affected practically all the region's major insurance markets, with the Chilean market being the one that fell most (-15.3%), followed by Ecuador (-5.3%), Mexico (-3.1%), Peru (-2.4%), and Brazil (-2.0%). However, there were some exceptions, notably there was growth in Puerto Rico (13.7%), due to the positive performance of Health insurance, and in Argentina (10.4%), although inflation accounting in the latter case distorted the comparison. The other markets showing growth (El Salvador, Uruguay, Bolivia, Guatemala, Dominican Republic, and Costa Rica) faced severe deceleration with the only exception being Paraguay, which saw growth in real figures of 3.2% (it was one of the countries whose economy was least affected by the pandemic).

In 2020, the aggregate net result of the Latin American insurance market stood at 9.32 billion dollars, representing a -30.1% drop compared to the aggregate result of the previous year. Thus, except for the markets in Chile, Costa Rica, Guatemala, Paraguay, Puerto Rico, and Uruguay (whose profits grew), in the remaining markets, profits in dollars compared to the previous year fell, largely influenced by exchange rate depreciation, but also factors related to their technical and/or financial profitability, as all saw worsened yields on shareholders' equity.

From a market structure perspective, as seen in previous years, in 2020 Latin American insurance markets saw higher levels of concentration in Costa Rica, Uruguay, Nicaragua, and Peru, with a Herfindahl index above the threshold indicating high industrial concentration.

Meanwhile, Honduras, Panama, the Dominican Republic, Venezuela, and Guatemala achieved index values similar to markets with a moderate level of concentration. The remaining Latin American insurance markets reported indices below the threshold associated with moderate levels of concentration.

Structural Trends in the Insurance Industry

The region's average penetration rate (premiums/GDP) was 3.1% in 2020, higher than the previous year by 0.17 percentage points (pp). This indicator improved in the Non-Life segment (1.8% compared to 1.6% the previous year), but worsened in the Life segment (1.3% compared to 1.4% the previous year). Analyzing this indicator since 2010, there was a 0.7 pp increase in penetration, confirming yet another year of the growing trend toward rising insurance penetration in the region, as has been consistently observed over the last few decades. This has mainly contributed to the development of Life insurance and, slightly to Non-Life insurance, although the rebound in penetration in 2020 by Non-Life is of such a scale that it nearly closed the gap for the entire decade compared to Life insurance. As a result, total penetration in the region rose by 29% over the last 10 years. The cumulative increase in penetration in the Life insurance segment came to 39.4%, while the cumulative increase in Non-Life insurance was 22.2% over the same period. Puerto Rico continues to report the highest penetration rate, reaching 16.8% in 2020, due to the important role played by insurance companies in its healthcare system. After Puerto Rico, Chile (3.9%), Brazil (3.2%), Argentina (3.1%), and Colombia (3%) were the countries that reported the highest penetration indices in 2020.

Significant contraction of the GDP caused by the pandemic in 2020 undoubtedly contributed to this situation, as well as resistance shown by some of the biggest lines in the insurance business in the region, particularly Health.

This is an unusual situation, so time will tell in the coming years if this is a shift in the trend or if things go back to how they were before the pandemic broke out for both lines of business, after the economic situation returns to normal.

In terms of density (premiums per capita), the region's average indicator was 216 dollars, a -12.7% decrease compared to the previous year. This performance was the result of sharp depreciation of the region's major currencies in 2020, resulting from shocks in the currency market due to the pandemic, since performance was generally positive when looking at the indicator in the local currency. The majority of insurance spending per person remained focused on the Non-Life segment (123.9 dollars), which was down by -6.9% compared to the previous year. Life insurance density was 92.1 dollars, -19.5% less than in 2019.

Between 2010 and 2020, density showed a downward trend in the region, decreasing by -1.7% over this period. It is worth mentioning that, although the latest drop in density in 2020 was unusual due to the effect of the above-mentioned marked depreciation of exchange rates, the beginnings of a change in the trend can be seen over the course of the 2010-2020 period, starting in 2013. It should be noted, however, in the case of the Life insurance market, the cumulative increase remains positive; in that period it was 6.2% (increasing from 86.8 to 92.1 dollars), but in the case of the Non-Life insurance segment, the accumulated decrease was -6.9% (going from 133.0 to 123.9 dollars). In contrast to the penetration rate over the 2010-2020 period, this latest density index shows worsening growth when compared with the 2009-2019 period.

As indicated above, another important detail in the individual density analysis in each of the markets considered in this report is that there was a growth trend over the last few years when the measurement was taken in the local currency. This confirms the notion that the situation of economic stagnation in Latin America and the Caribbean seen since the end of the 2003-2013 period is holding the region back compared to the rest of the world, reaffirming the importance of the above-mentioned structural reforms to stabilize exchange rates and the region's economies generally.

Finally, the insurance depth rate (Life insurance premiums over total premiums) was 42.7% in 2020, -3.6 pp less than in 2019. This indicator retreated in 2020 due to worsening performance of the Life segment in the region's major markets (unlike what occurred the year before), heavily influenced by the complex interest rate environment and dashes for cash taken by individuals, families, and companies due to the heightened uncertainty caused by this situation. Everything indicates that this circumstance, which particularly affected Life insurance, will correct itself, as the medium-term analysis (2010-2020) shows the indicator improving over the course of the last decade, with a cumulative increase of 3.2 pp and cumulative growth of 8% in that period.

The Insurance Protection Gap (IPG) estimate for the Latin American insurance market was 206 billion dollars, -16.7% (-41.3 billion dollars) less than the estimate from the previous year. The structure of the IPG over the last 10 years shows no significant changes with respect to our previous report, confirming the predominance of Life insurance and, therefore, its greater growth potential. The potential insurance market in Latin America in 2019 (the sum of the actual insurance market plus the IPG) therefore stood at 340.4 billion dollars, 2.5 times larger than the current regional market.

Over the course of the 2010-2020 period, the insurance market in the region registered an average annual premium growth rate (measured in dollars) of 0.9%, consisting of an average growth of 1.6% in the case of the Life insurance segment and 0.3% in the case of Non-Life, a dynamic that has notably slowed compared to the 2009-2019 measurement, due to the significant decline of the insurance business in the region in 2020 as a result of the pandemic. If the growth dynamic seen in the sector in 2010-2020 continues for the next 10 years, the market growth rate as a whole will be -8.9 pp short of covering the IPG determined in 2020. The insufficiency on the Life insurance side was -10.3 pp, while it was -7.5 pp for Non-Life, as in both segments the situation worsened compared to the 2019 measurement.

Finally, this edition of the report includes a new estimate of the Market Development Index (MDI) for the Latin American insurance industry. The MDI (an indicator of insurance market inclination and maturity) continued to show sustained progress each year over the course of the 2010-2020 period with a clear upward trend, despite two one-off decreases in 2014 and 2018, showing the Latin American insurance market continues to have positive, balanced growth when analyzed in the medium term.

A detailed analysis for each of the Latin American insurance markets is included in the third chapter of this report. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2020, before analyzing the main figures and trends in their insurance markets.

1. Economic and Demographic Context

1.1 Economy

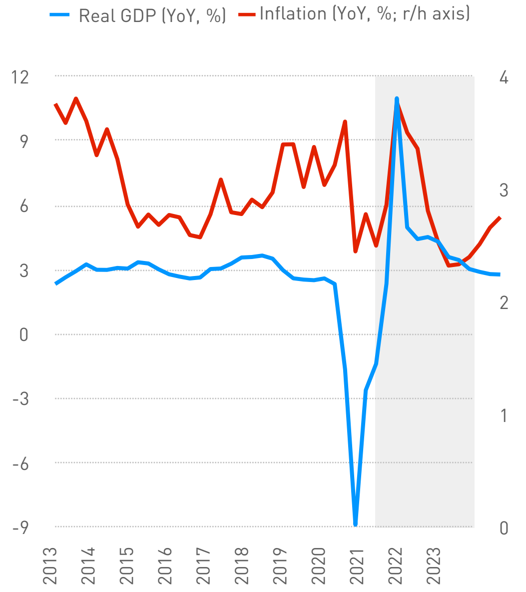
Global Environment

As shown in Chart 1.1-a, in 2020 the global economy suffered the largest recorded dive since World War II with a -3.2% drop in global GDP (compared to 2.8% growth in 2019), as a result of the situation caused by the COVID-19 pandemic[1]. This drop affected both developed and emerging countries, with a -4.6% downturn in advanced economies (compared to 1.6% growth in 2019), motivated mainly by the real contraction of -3.5% of the GDP of the United States, -6.7% of the Eurozone GDP, and -4.7% of the GDP of Japan. The aggregate downturn of emerging and developing countries was -2.1% (compared to 3.7% growth in 2019), less than developed countries due to the better performance of the Chinese economy, which decelerated significantly compared to the previous year, but did not shrink, growing 2.3%.

Quick intervention by central banks with ultra-accommodative monetary policies (including strong unconventional policy measures in addition to drastic cuts to interest rates) and extensive, unprecedented fiscal aid packages supported and continue to support financial markets, governments, individuals, and companies in a manner not seen in previous economic crises, especially in developed countries. An estimated 6.3 trillion dollars were mobilized for spending and tax relief measures in 2020, and 5.2 trillion dollars in liquidity instruments, equivalent to 12.7% and 11.3% of the GDP on average, respectively[2]. Emerging countries' central banks generally pushed monetary support, although the fiscal response was lesser in scale, around 4% of the GDP.

Combined with the abrupt drop in tax revenue caused by sharp economic contraction, all of the fiscal expansion measures substantially increased deficits and debt levels vs GDP around the world, while emerging countries also saw increases in foreign debt for governments and the corporate sector. This situation affected the emerging economies most vulnerable to credit risk perception and depreciation of exchange rates, triggering International Monetary Fund (IMF) intervention with measures to increase liquidity access for these countries (including a general allocation of special drawing rights). Abundant liquidity and depreciated exchange rates are not only feeding inflationary pressures in many emerging economies, but also in some developed economies.

Chart 1.1-a
Global: Growth and Inflation
(Quarterly Data, Year-Over Year Variation)



Source: MAPFRE Economics (based on Haver data and own estimates)

The turbulence of the first half of 2020 increased volatility in financial markets to levels similar to the 2007-2009 crisis, as well as swift, unprecedented one-off drops in the months of February and March (caused largely by investors' sudden dash for cash). In emerging countries, this turbulence caused major outflows of investment from the portfolio, the effects of which extended to interest rates, with significant depreciation of their respective currencies compared to the dollar, fed by a heavy increase in demand for the US currency by practically all countries in the world and large companies with international operations.

Swift intervention from central banks in the world's major economies managed to stabilize financial markets by implementing quantitative easing measures with extensive asset purchase programs. The (sovereign and corporate) bond markets benefited from this abundant liquidity and recovered after the implementation of these measures. Paradoxically, this caused global wealth to increase around 7.4% due to surging equity markets, rising bond values (due to interest rates slashed by monetary policy and the relaxation of risk premiums by asset purchase programs), the appreciation of the real estate market, and increased savings as a result of lockdown. Nevertheless, the Economic Commission for Latin America and the Caribbean (ECLAC) has pointed out that this rise was uneven: While it grew 12.4% in Canada and the United States, 9.2% in Europe, and 4.4% in China, in India it fell 4.4% and in Latin America and the Caribbean it fell 11.4%[3].

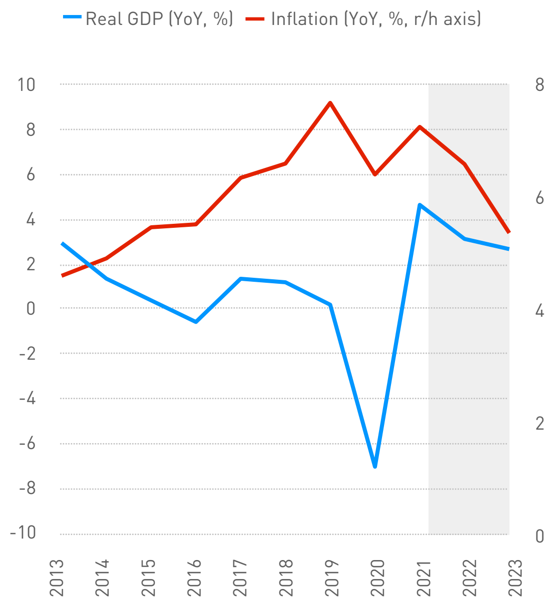
Though extraordinarily severe, the global economic impact was lesser than initially forecast thanks to fast vaccine development, the reopening of the economy, and the implementation of broad monetary and fiscal stimulus packages, which marked the second half of 2020. Some Economies are experiencing growth rates that could exceed pre-crisis levels in 2021. Markets like the United States and China (two engines of the global economy) are leading the way to a recovery largely conditioned by the capacity to maintain support for vaccines and the pace of vaccination campaigns, persisting through the risk of any viral mutation arising and altering the outlook. However, many economies will not recover pre-crisis levels until 2022, or even later, as the way to recovery is unequal, especially in emerging markets that, on the one hand, have made slower progress vaccinating people and, on the other, have practically exhausted their fiscal and monetary capacity, forcing them to reverse some of the measures they adopted initially. One positive datum should be highlighted: global risk aversion has been practically normalized, affecting regional risk with a widespread drop in the indicators used to measure it, including the EMBI and partial return, but gained ground on portfolio investment flows.

Latin American Economic Environment

In 2020, the economy of Latin America and the Caribbean contracted greatly: around -7%[4], compared to the weak growth of 0.1% in 2019 (see Chart 1.1-b). Lockdown and social distancing measures adopted as a result of the pandemic (at nearly the same time in all regions of the world) caused a significant contraction in consumption, investment, and world trade, accompanied by plummeting prices of oil, minerals, and other raw materials the region is a net exporter of. All of this, combined with other factors like a drop in tourism, caused an unprecedented contraction of aggregate supply and demand in the region.

Some of the endemic structural problems in Latin America and the Caribbean exacerbated the extensive economic contraction, one of the

Chart 1.1-b
Latin America: Growth and Inflation



Source: MAPFRE Economics (based on IMF data and own estimates)

largest in the region for emerging economies. Among them, informal labor relations hindered the implementation of aid and fiscal stimulus packages, which in more advanced economies were largely implemented with unemployment benefit mechanisms to prevent structural damage to the production system. Another structural problem is the one arising from limited development and low-quality infrastructure, particularly in healthcare systems, exacerbating the impact of the pandemic on the region's population and economy. Meanwhile, another of the region's endemic problems, limited investment, was exacerbated since investment plummeted as a result of the shutdown of many projects in progress, a lack of stable internal savings, and an underdeveloped education system, underscoring the problem of low employment and productivity and feeding inequality, poverty, social tensions, and political uncertainty.

In terms of monetary support, however, Latin America and the Caribbean was not an exception and the central banks intervened quickly applying ultra-accommodative monetary policies with slashed interest rates in addition to non-standard credit support policy measures. Governments approved fiscal aid packages for individuals and families, especially vulnerable ones, to bolster healthcare systems and protect a production structure highly based on small and medium-sized enterprises. While in developed countries the average fiscal aid package was 19% of the GDP, according to ECLAC estimates, packages of fiscal measures in Latin America represented 4.6% of the GDP on average, heavily concentrated in certain countries like Brazil, Peru, Chile, and Colombia, while two out of three countries in the region implemented more modest packages (around 3% of the GDP). However, a good deal of the fiscal stimulus in the region focused on direct payments, with public investment being the adjustment variable.

Combined with the abrupt drop in tax revenue caused by sharp economic contraction, all of these fiscal expansion measures substantially increased deficits (-6.9% of the GDP at the end of 2020 according to ECLAC estimates) and debt levels vs GDP in most economies in the region, causing a rise in foreign debt for governments and the corporate sector. In the first half of the year, the turbulence on financial markets triggered major outflows of investment from the portfolio of the region's economies as well as significant depreciation of their respective currencies vs the dollar, although in the last few months of the year they began to moderate and even reverted in some cases.

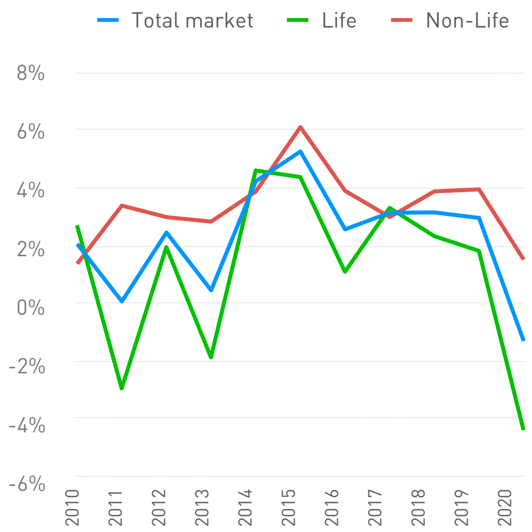
According to ECLAC estimates, the region could begin to partially recover in 2021, with a growth forecast around 5.9%, due to revived investment and foreign demand, aided by rebounding raw material prices and the recovery of the two major global economies the United States (a significant source of remittances) and China, its two major trading partners. The recovery of domestic consumption will also help, but to a lesser extent until pre-crisis employment levels are recovered.

Finally, it is worth noting that at first the sharp contraction of the economy brought regional inflation in 2020 to historical lows, allowing central banks to implement expansionary monetary policies, generally keeping inflation within the target ranges. However, since Q2 2021, inflation has been on the rise in the region due to increasing food and energy prices and depreciating exchange rates, a problem that led to the early elimination of monetary stimulus packages in some economies, including Brazil and more recently Mexico, which could affect how quickly they recover. This is a problem occurring in some developed economies as well, particularly in the United States, where it could cause monetary policy to be tightened, which tends to have negative consequences in the region as financial conditions deteriorate and the dollar strengthens, putting pressure on economies with higher levels of foreign debt in this currency, as occurred in 2018. This is a latent risk for Latin America and the Caribbean.

Economic Environment and Global Insurance Demand

While the global insurance market in 2020 was hit heavily by the economic effects of the COVID-19 pandemic, it also benefited from extensive monetary and fiscal aid packages, proving itself to be resilient, solvent, and profitable, seeing smaller declines in business than in previous global crises. Even still, the sharp contraction of the economy caused by the pandemic and the application of ultra-accommodative monetary policies with dropping interest rates across the board in both emerging and developed markets (the latter of which already had low interest rates before the pandemic) caused a downturn for the global insurance industry. Revenue from premiums dropped accordingly in many of the more advanced markets as well as in some emerging markets, with the exception of the good performance in the Chinese insurance market.

Chart 1.1-c
Global: Insurance Market Growth
(annual nominal growth rates in USD, %)



	Total	Life	Non-Life
2010	2.1%	2.7%	1.4%
2011	0.1%	-3.0%	3.4%
2012	2.5%	1.9%	3.0%
2013	0.5%	-1.9%	2.8%
2014	4.2%	4.6%	3.9%
2015	5.3%	4.4%	6.1%
2016	2.6%	1.1%	3.9%
2017	3.1%	3.3%	3.0%
2018	3.1%	2.3%	3.9%
2019	3.0%	1.8%	3.9%
2020	-1.3%	-4.4%	1.5%

Source: MAPFRE Economics (based on Swiss RE data)

Thus, In 2020, the global premium volume amounted to 6.3 trillion dollars, with real decrease of -1.3% compared to 3.0% growth the year before[5] (see Chart 1.1-c).

The Life segment was the most affected – mainly savings products – as it faced the effects of a deep economic crisis causing dashes for cash given the heightened uncertainty in addition to the enduring low interest rates in the major developed markets and reduced interest rates caused by the accommodative monetary policies adopted in emerging markets. In this context, global Life insurance issuing had a real decrease of -4.4%. Unit-linked life investment products (where the policyholder assumes the investment risk) were also affected by the volatility of the markets at the beginning of the year, but they began to recover in the second half of the year. The Life business declined both in advanced and emerging markets, excluding China, a country with 2.8% real growth in dollars. Conversely, insurance markets in Europe, the Middle East, and Africa (EMEA) saw the biggest dip (-9.1%).

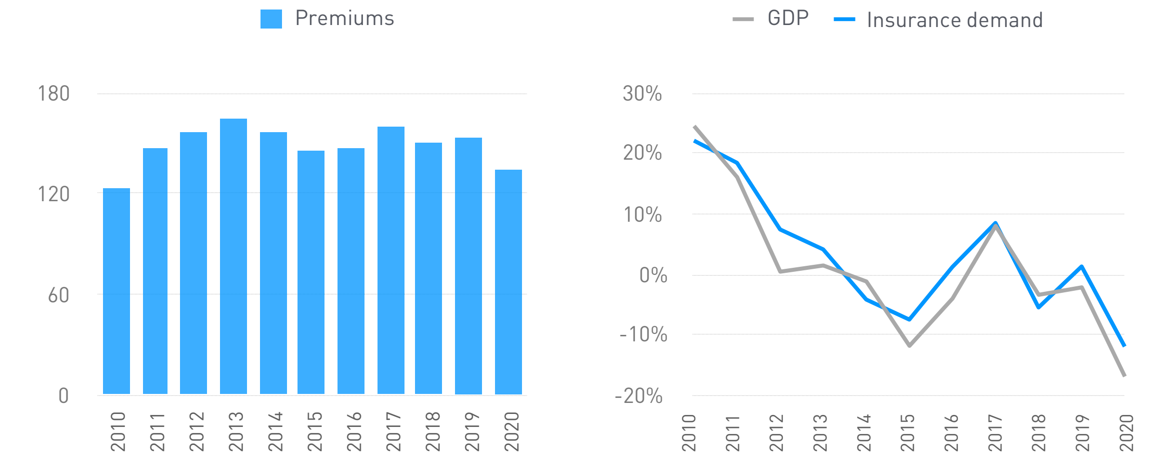
Non-Life insurance (which represents about 56% of global premiums), for its part, proved more resistant to the crisis, helped by generous fiscal aid packages for individuals, families, and companies and the fact that underwriting did not grind to a halt thanks to the acceleration of digitization. The Non-Life insurance premium volume amounted to 3.5 trillion dollars, signifying real year-over-year growth of 1.5%. The Health insurance segment performed counter-cyclically due in large part to the nature of this crisis (health-related), and this business line grew the most broadly across markets, while Auto was one of the lines of business most affected by the crisis, with dropping revenues from premiums, though also a lower loss experience. Markets in Asia-Pacific had the best performance driven by the growth of the Chinese market.

Intervention by central banks and fiscal authorities brought stability back to financial markets that, as mentioned above, experienced in February and March 2020 one of the most abrupt plunges in history. In part, this decline was driven by investors' dash for cash. The prolongation of the low interest rate environment will continue to pose a challenge for the business and the profitability of the insurance industry, especially for Life insurance companies in developed markets, although a recovery of inflation in some of these markets may alter the landscape if this trend continues. In emerging countries in general and in Latin America in particular, these fiscal and monetary policy relaxation measures greatly helped the economy, although they had a negative impact on exchange rates for their respective currencies virtually without exception. Many of the region's economies have practically exhausted their fiscal capacity and some are facing inflationary pressures forcing them to reverse some of the expansionary monetary policies adopted to assuage the impact of the crisis. This could slow the pace of economic recovery, which would surely affect the insurance business, although Life savings and life annuity insurance would benefit from a better interest rate environment, as better financial yields could be guaranteed for the products sold on the market.

Economic Environment and Insurance Demand in Latin America

The abrupt contraction of the economy in Latin America and the Caribbean in 2020 had a strong impact on the region's insurance market, causing a significant -11.9% decline, which was somewhat smaller than the contraction of the region's nominal aggregate GDP, though close to it (see Chart 1.1-d).

Chart 1.1-d
Latin America: Economic Growth and the Insurance Market
(premiums, billions of USD; annual nominal growth rates, %)



Source: MAPFRE Economics (based on supervisory body and IMF data)

As discussed in detail in section 2 of this report, the Life business suffered the biggest contraction, in line with practically all regions of the world. This business segment suffered not only because of the major economic contraction, but also because of an interest rate environment detrimental to the sale of savings and life annuity products, by virtue of significant interest rate cuts applied by the region's central banks, magnified by the dash for cash taken by various players of the economy due to high uncertainty especially in the first half of the year.

This dash for cash occurs because individuals and companies prefer to keep their savings where they can keep an eye on them, as opposed to in other kinds of investments, so they are on hand if needed. This harmed the Life business even with an interest rate scenario in which curves maintained positive slopes, as occurred in some large markets in the region like Brazil and Mexico, allowing medium and long-term rates to be offered above short-term rates (forward premium).

The Non-Life business, for its part, was also affected by the abrupt economic crisis caused by the COVID-19 pandemic and dropped significantly, although less so and more gradually in part due to extensive fiscal aid packages implemented by the region's governments and the resistance shown by some lines of business, like Health insurance, which performed counter-cyclically (driven by fear of the health risk) and grew, as is common in economic crises, but to a greater extent with this one as a result of its health-related origins. Fire and allied lines insurance was also highly resistant to the economic environment caused by the pandemic.

Finally, it should be noted that the turbulence caused by the crisis extended to the interest rates of the region's major economies, with significant depreciation of their respective currencies compared to the dollar, magnifying the effect of insurance market downturns when making comparisons in that currency.

Chart 1.2-a
Latin America: Population, 2020
(millions)

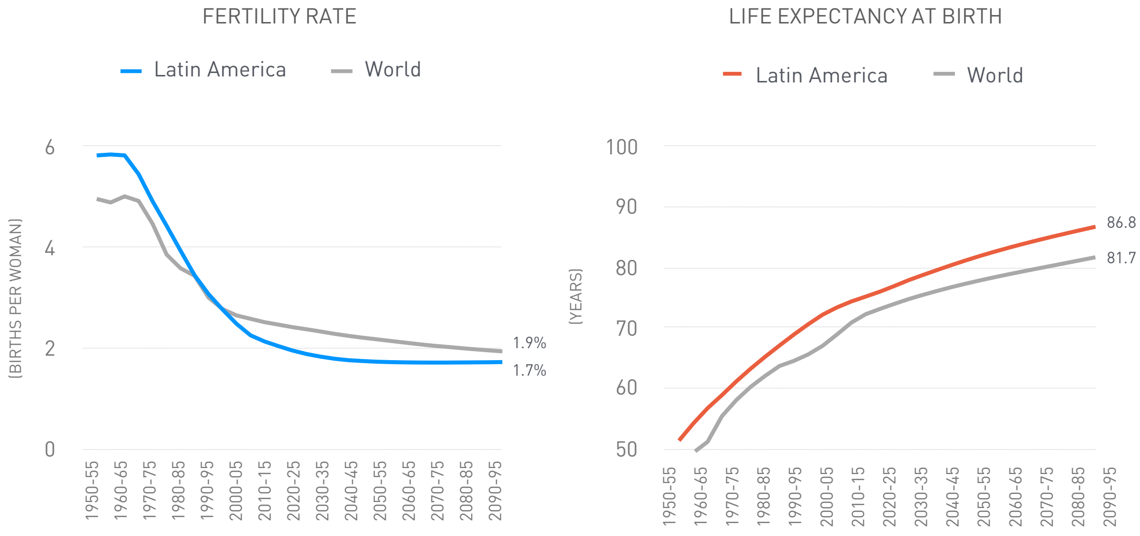
Source: MAPFRE Economics (based on UN data)

1.2 Demographics

One characteristic of the SARS-CoV-2 virus is that its mortality rate varies significantly based on age, skyrocketing among older people. This means that the situation caused by the COVID-19 pandemic could have bearing on a demographic shift already underway in many regions of the world, the sustained increase in life expectancy combined with falling birth rates (reducing the workforce and increasing the proportion of people reaching old age). It's still too early to have an exact figure for excess mortality resulting from the pandemic (by age cohort), but all signs point to it not having enough of an impact to alter this demographic dynamic of shifts toward older populations.

According the most recent population data for Latin America published by the United Nations (UN) in 2019[6], which still do not reflect the effects of the pandemic on global demographics, the estimated population

Chart 1.2-b
Latin America: Fertility Rate and Life Expectancy at Birth, 1950-2100

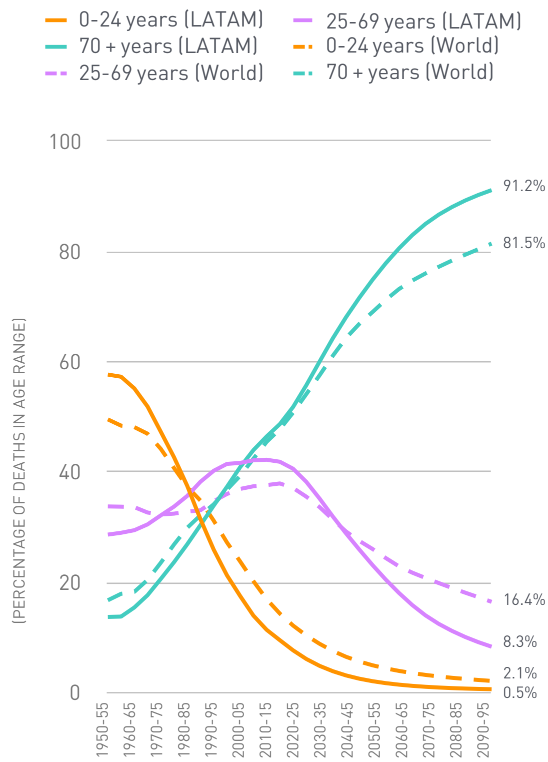


Source: MAPFRE Economics (updated based on UN data) of the 19 countries covered in this report as of 2020 was 622.1 million people. Brazil and Mexico account for a significant share of the total, with populations of 212.6 and 128.9 million, respectively. Colombia and Argentina both have populations of over 40 million, with 50.9 and 45.2 million, respectively. These are followed by Peru and Venezuela, each with populations of around 33 and 28.4 million, respectively. The remaining countries have populations of below 20 million, namely Chile, Guatemala, and Ecuador, with populations ranging between 17 and 20 million (see Chart 1.2-a).

With regard to the region's demographic parameters, the updated projections produced by the UN for Latin America and the Caribbean continue to show a trend of declining fertility rates and of increasing population longevity (see Chart 1.2-b). In line with this information, life expectancy at birth in the region rose from 51 years in 1950 to 75 years in 2020, representing an increase of 24 years over the period. The projections confirm that, in the future, life expectancy in the region could grow at an approximate pace of two years per decade, to reach over 81 years of age by 2050 and around 87 years of age by the end of the century. Projections of birth rates, however, have shown a sustained drastic decline, falling from an average of 6 births per woman in the 1960s to 1.7 by the end of this century.

Moreover, projections of percentage of deaths by age cohort (even without the effects of the COVID-19 pandemic) show a trend of deaths falling among younger people, so the percentage of the population reaching old age is increasing. It should be noted that the death distribution pattern for the region is starting to diverge from average projections for the global population, concentrating the population in old age higher for Latin America than the world average (see Chart 1.2-c).

Chart 1.2-c
Latin America: Percentage of Deaths by Age Cohort, 1950-2100



Source: MAPFRE Economics (updated based on UN data)

As shown in the updated data in Chart 1.2-d, all of these demographic factors forecast a gradually aging population for the region over the course of this century, leading first to a constrictive population pyramid (heavily weighted toward older ages), converging into stationary pyramids toward the end of this century. As indicated above, however, the demographic effects caused by the increased death rate arising from the pandemic will need to be assessed to understand how they will affect the structure of the population in the future.

Chart 1.2-d
Latin America: Changes in the Population Pyramid, 1950-2100

Source: MAPFRE Economics (updated based on UN data)

2. The Latin American Insurance Market in 2020

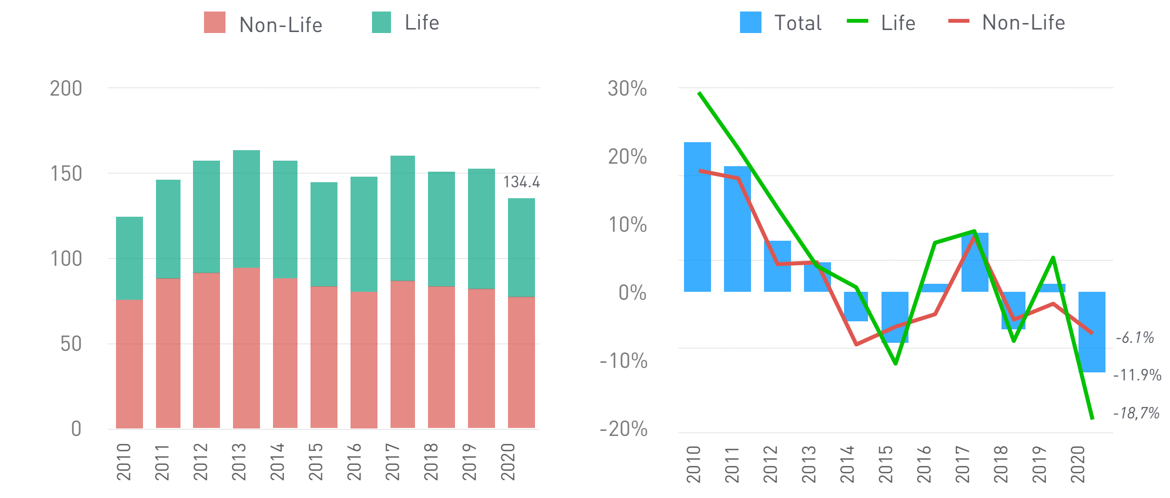
2.1 Insurance Market Performance

Growth

In 2020, total premiums in Latin America amounted to 134.36 billion dollars, of which 57% came from Non-Life insurance and the remaining 43% from Life insurance. Aggregate premiums for the insurance industry in the region fell -11.9% compared to the previous year. In addition to this decrease, there was also the effect of the downturn in the various markets caused by a drop in premiums in their respective local currencies (as a result of abrupt economic contraction) and the strong depreciation of exchange rates. All of this was caused by the economic situation resulting from the COVID-19 pandemic (see Chart 2.1-a).

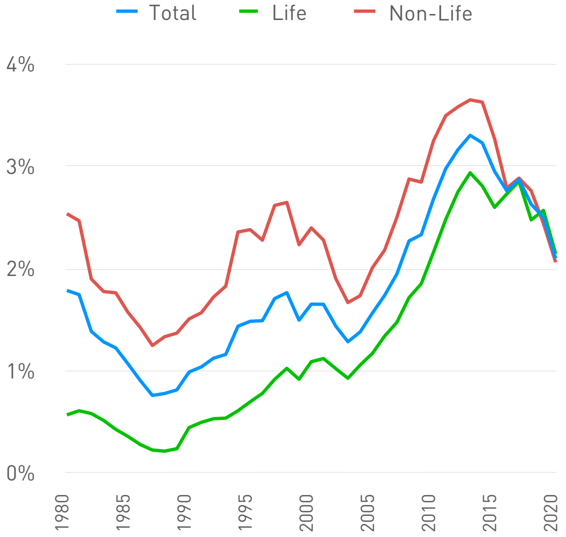
As a result of this performance, Latin American insurance market participation around the world decreased -0.4 percentage points (pp) between 2019 and 2020, reaching 2.1%, mainly due to weak performance from the Life business, whose participation dropped 0.43 pp, but also due to the Non-Life business, which shrank 0.38 pp (see Chart 2.1-b). From a long-term perspective, Latin American participation in the global insurance business was on an upward trend leading to an increase in its relevance. While that participation was only 1.8% in 1980, by 2020 it had risen to 2.1%, due to a boosted Life segment. The trend shifted in 2013, however, both in the Life business and in the Non-Life business, albeit more markedly in the latter, which holds lesser significance than 40 years ago, as a result of the downturn of the last six years.

Chart 2.1-a
Latin America: Growth Developments in the Insurance Market
(premiums, billions of USD; annual nominal growth rates in USD, %)



Source: MAPFRE Economics (based on supervisory body data)

Chart 2.1-b
Latin America: Share of Global Insurance Premiums
(%)



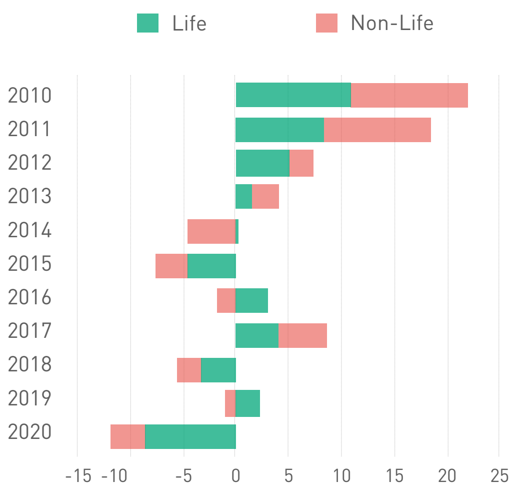
Change to global market share (percentage points)

	Total	Life	Non-Life
1980-1985	-0.72	-0.21	-0.97
1985-1990	-0.08	0.09	-0.06
1990-1995	0.50	0.25	0.87
1995-2000	0.17	0.39	0.02
2000-2005	-0.09	0.08	-0.39
2005-2010	1.12	0.99	1.24
2010-2015	0.27	0.44	0.02
2015-2020	-0.85	-0.46	-1.21

Source: MAPFRE Economics (based on Swiss RE data)

The trend of a growing Latin American insurance market share in the global market has only slowed when economic and financial crises have affected the region, magnified by the effect of devaluation of the currencies of the various countries that these events are usually linked to. In the years after the good performance of 2017, the Latin American insurance industry again suffered the consequences of the impact of depreciation of local currencies vs. the dollar triggered by the process of monetary policy normalization carried out by the United States Federal Reserve in 2018, which added to the

Chart 2.1-c
Latin America: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	22.1	10.9	11.2
2011	18.4	8.3	10.1
2012	7.4	5.0	2.5
2013	4.1	1.6	2.5
2014	-4.2	0.3	-4.4
2015	-7.5	-4.7	-2.8
2016	1.2	3.1	-1.8
2017	8.5	4.0	4.5
2018	-5.5	-3.3	-2.2
2019	1.3	2.2	-0.9
2020	-11.9	-8.7	-3.3

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

COVID-19 pandemic, combined with a number of structural weaknesses that amplified the impact on some of the economies in the region.

Moreover, when considering the performance of the insurance market in Latin America in terms of growth and contribution to growth of the two major lines of business (Life and Non-Life), as shown in Chart 2.1-c, performance has been erratic since 2013. In 2020, both the Life insurance and Non-Life insurance segments negatively contributed to the drop in business, with -8.7 pp in the case of the Life business (which had good performance in 2019 and a positive contribution of 2.2 pp) and -3.3 pp in the Non-Life business (deepening the negative contribution of -0.9 pp in 2019).

In 2020, in addition to a negative contribution to growth from the Non-Life business (influenced by the abrupt contraction of the economy caused by the pandemic and mitigated to a certain extent by fiscal aid packages implemented to greater or lesser extent by the governments of the region) there was the even greater contraction of the Life business, which (in addition to suffering from the effect of plummeting available personal income) suffered in an interest rate environment detrimental to the sale of savings and life annuity products given the monetary expansion measures applied by the respective central banks with slashed interest rates, magnified by the negative effect of the major economic contraction in this business segment and the dash for cash by various players in the economy given the uncertainty arising especially in the first half of the year, as explained above.

Similarly, when insurance business growth is measured in the local currency for each of the analyzed markets, the major impact caused by the crisis in the region's insurance industry becomes visible. Thus, the majority of insurance markets recorded decreases in premiums measured in the local currency and in real terms (correcting for the effect of inflation), unlike the previous year (see Chart 2.1-d and Table 2.1-a).

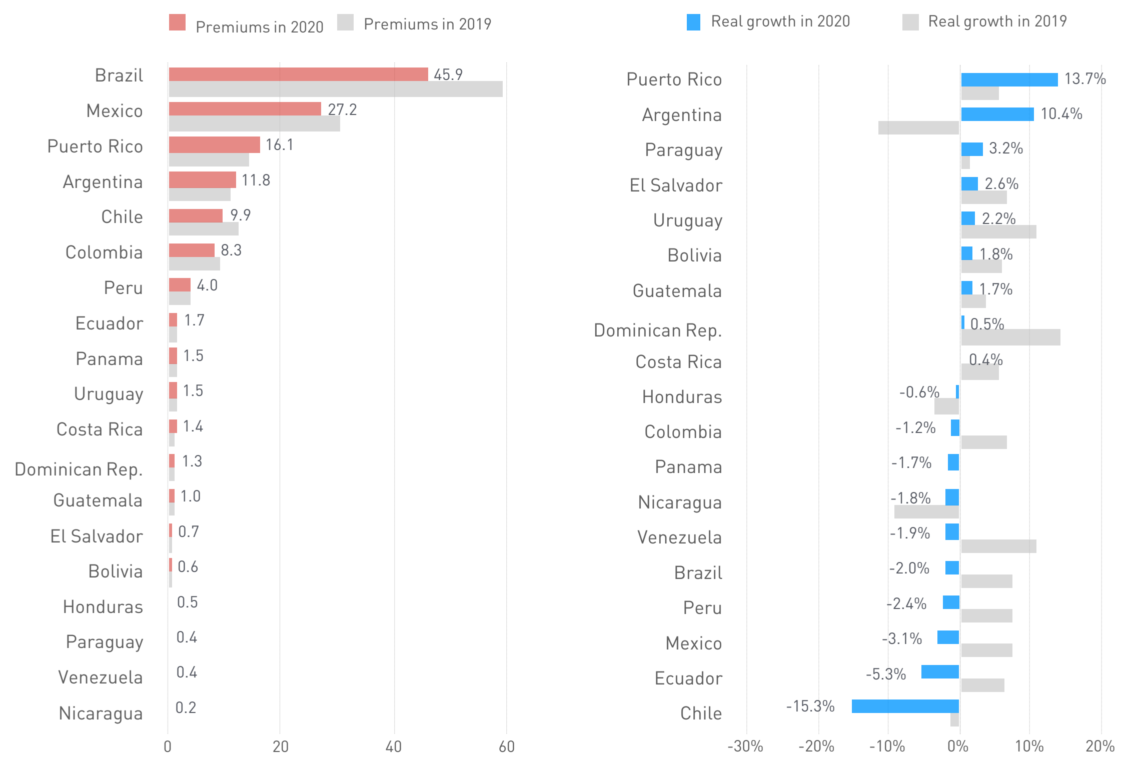
Table 2.1-a
Latin America: Annual Premium Volume Variation, 2019-2020 (growth in local currency, %)

Country	Nominal Growth	Real Growth
Argentina	56.8	10.4
Bolivia	2.7	1.8
Brazil	1.1	-2.0
Chile	-12.7	-15.3
Colombia	1.3	-1.2
Costa Rica	1.1	0.4
Ecuador	-5.6	-5.3
El Salvador	2.8	2.6
Guatemala	4.2	1.7
Honduras	2.9	-0.6
Mexico	0.2	-3.1
Nicaragua	1.8	-1.8
Panama	-3.2	-1.7
Paraguay	5.0	3.2
Peru	-0.7	-2.4
Puerto Rico	12.3	13.7
Dominican Republic	4.3	0.5
Uruguay	12.1	2.2
Venezuela	2,307.9	-1.9

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

As can be concluded from this information, these decreases have affected virtually all the major markets in Latin America, with the Chilean market being the one that fell most (-15.3%), followed by Ecuador (-5.3%), Mexico (-3.1%), Peru (-2.4%), and Brazil (-2.0%) There were exceptions, however, notably the growth in Puerto Rico (13.7%), due to the positive performance of Health insurance, and in Argentina (10.4%), although the shift to inflation accounting starting in Q2 2020 in the latter case may be distorting the growth as the data sets are not homogeneous for comparison. The other markets showing growth faced severe deceleration with the

Chart 2.1-d
Latin America: Insurance Market Premiums and Real Growth
(billions of USD; real growth in local currency, %)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

only exception being Paraguay, which saw growth in real figures of 3.2% (it was one of the countries whose economy was least affected by the pandemic).

Performance by Line of Business

Premiums in the Life insurance segment in Latin America fell sharply in 2020 by -18.7% in dollar terms (compared to 5.1% in 2019), while premiums in the Non-Life segment dropped by -6.1% (compared to -1.1% in 2019). This falling business in the two major insurance segments explains the abrupt contraction of aggregate premiums in the region in 2020 (-11.9%), caused by the contraction of the Life business and exacerbated by the effect of significant exchange rate depreciation for the currencies in the major Latin American markets, which was especially considerable in the case of the Brazilian real (-30.7% in the average exchange rate), but also in the case of the Mexican peso (-11.6%), the Chilean peso (-12.6%), and the Colombian peso (-12.6%), among others (see Table 2.1-b).

In the aggregate, the Non-Life segment in the region performed in line with this business segment in other regions of the world, with a significant downturn in Auto business volume, which was partially offset by the Health business performing counter-cyclically as is usually the case with major economic crises and particularly in this health-related one. The Auto line of business, representing 16.2% of all premiums in the region, contracted -16.1%, more than in 2019 (-8.5%) when the economic slowdown in Latin America was quite marked, on top of the abrupt contraction of the economy in 2020 as a result of the pandemic.

Table 2.1-b
Latin America: Premium Volume by Country, 2020
(premiums, millions of USD; growth in USD, %)

Line	Non-Life		Life		Total	
	Premiums	Growth 2019-2020 (%)	Premiums	Growth 2019-2020 (%)	Premiums	Growth 2019-2020 (%)
Argentina	10,350	7.2	1,492	5.6	11,841	7.0
Bolivia	369	-0.6	224	8.8	593	2.7
Brazil	16,339	-21.5	29,601	-23.2	45,940	-22.6
Chile	4,978	-6.4	4,916	-34.0	9,894	-22.5
Colombia	5,758	-9.0	2,496	-12.2	8,254	-10.0
Costa Rica	1,224	2.9	214	-5.6	1,439	1.5
Ecuador	1,278	-6.3	418	-3.6	1,696	-5.6
El Salvador	462	-0.7	260	9.7	722	2.8
Guatemala	795	3.7	221	4.5	1,015	3.9
Honduras	309	2.5	161	2.6	469	2.6
Mexico	14,401	-11.1	12,768	-9.1	27,170	-10.2
Nicaragua	161	-0.6	39	-6.1	200	-1.7
Panama	1,119	-3.7	398	-1.9	1,517	-3.2
Paraguay	348	-5.4	64	10.6	412	-3.2
Peru	2,268	-2.6	1,742	-8.4	4,010	-5.2
Puerto Rico	14,642	13.8	1,435	-1.1	16,077	12.3
Dominican Rep.	1,088	-4.4	188	-10.5	1,275	-5.3
Uruguay	794	-8.6	669	-2.5	1,462	-5.9
Venezuela	373	1.9	2	-18.3	375	1.8
Total	**77,055**	**-6.1**	**57,305**	**-18.7**	**134,361**	**-11.9**

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

In the Life insurance segment, for its part, premiums on individual and group Life insurance, representing 37.8% of all premiums in the region, fell -17.6% (compared to 6.9% growth in 2019), explained in large part by the significant shrinking of this line of business in Brazil, Mexico, Chile, and Colombia. In addition to this was an abrupt drop in Social Security and Pension insurance of -26.5%. Although this kind of insurance is a relatively small part of the Life business in the region, it did also contribute to the drop (see Table 2.1-c).

Results and Profitability

The structure of the 2020 income statement for the insurance markets of Latin America appears in Table 2.1-d. This information shows that profitability indicators were positive in 2020, despite the tough economic environment for the insurance business, though they did drop significantly compared to the previous year.

In 2020, the aggregate net result of the Latin American insurance market stood at 9.32 billion dollars, representing -30.1% decrease compared to the aggregate result of the previous year[7].

Moreover, all the countries had aggregate positive net results, as is usual in the region, although many of them saw slowdowns compared to the previous year. With the exception of Chile, Costa Rica, Guatemala, Paraguay, Puerto Rico, and Uruguay, in the remaining markets' profits in dollars decreased compared to the previous year (see Table 2.1-e).

The data corresponding to return on equity (ROE) and return on assets (ROA) in the various insurance markets in the region in 2020 is shown in Table 2.1-f.

Table 2.1-c
Latin America: Premium Volume by Insurance Line*, 2020
(premiums, millions of USD)

Line	2019	2020	growth (%)	Share %
Life	**70,516**	**57,304**	**-18.7%**	**42.8**
Life — individual and group	61,421	50,622	-17.6%	37.8
Life — social security and/or pensions	9,094	6,682	-26.5%	5.0
Non-Life	**81,675**	**76,682**	**-6.1%**	**57.2**
Workplace accidents	4,693	4,529	-3.5%	3.4
Personal accident	4,142	3,422	-17.4%	2.6
Auto	25,859	21,688	-16.1%	16.2
Credit and/or surety	2,158	2,020	-6.4%	1.5
Fire and/or allied lines	8,446	8,390	-0.7%	6.3
Other damages	12,075	11,285	-6.5%	8.4
Third-party liability	2,630	2,574	-2.2%	1.9
Health	18,415	20,111	9.2%	15.0
Transport	3,258	2,663	-18.2%	2.0
Total	**152,191**	**133,986**	**-12.0%**	**100.0**

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

*Note: It's important to note that this table does not consider the Venezuelan insurance market as it does not have a breakdown of the lines of business, so growth of the Life and Non-Life segments may vary compared to the aggregate growth data for the region indicated in the text of this report.

Table 2.1-d
Latin America: Income Statement by Country, 2020
(millions of USD)

Country	Premiums charged	Loss ratio	Operating expenses	Technical result	Financial result	Other Revenues and expenses	Net result
Argentina	14,533.4	-7,177.3	-6,021.7	1,334.3	-358.4	-441.6	534.4
Bolivia	418.2	-183.1	-244.2	-9.1	53.8	-13.6	31.2
Brazil	19,229.3	-7,750.1	-10,050.8	1,428.4	2,781.8	-721.3	3,489.0
Chile	10,545.5	-9,035.5	-3,437.0	-1,927.0	3,696.4	-880.5	888.9
Colombia	5,956.7	-3,658.0	-2,949.9	-651.1	1,115.3	-57.3	406.9
Costa Rica	1,119.6	-558.5	-585.7	-24.7	272.2	-45.6	201.9
Ecuador	1,036.2	-528.8	-300.3	207.1	47.9	-249.3	5.7
El Salvador	413.5	-234.8	-189.9	-11.3	18.0	22.1	28.8
Guatemala	662.0	-358.7	-209.5	93.7	55.5	-4.5	144.7
Honduras	225.6	-99.3	-93.6	32.6	26.7	-10.8	48.6
Mexico	18,749.0	-14,409.6	-5,600.7	-1,261.3	4,459.0	-885.5	2,312.2
Nicaragua	112.6	-46.6	-62.8	3.2	16.9	1.4	21.5
Panama	1,015.6	-518.6	-386.9	110.1	96.1	-18.7	187.6
Paraguay	299.2	-107.8	-157.2	34.1	23.1	-2.7	54.5
Peru	2,452.1	-1,537.0	-1,385.3	-470.2	809.0	-29.0	309.8
Puerto Rico	-	-	-	-	-	-	527.3
Dominican Republic[1]	608.5	-320.7	-245.0	42.8	48.3	32.7	123.8
Uruguay	1,303.5	-975.5	-449.3	-121.3	250.2	-6.3	122.5
Venezuela[1]	146.0	-47.3	-128.5	-29.8	9.1	121.8	101.0

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

1/ The data correspond to the year 2019 (latest available).

Table 2.1-e
Latin America: Net Result by Country, 2020
(millions of USD)

Country	2019	2020	Growth 2019-2020 (%)
Argentina	1,555.9	534.4	-65.7
Bolivia	41.3	31.2	-24.5
Brazil	5,896.6	3,489.0	-40.8
Chile	538.9	888.9	65.0
Colombia	677.1	406.9	-39.9
Costa Rica	126.2	201.9	60.0
Ecuador	61.2	5.7	-90.7
El Salvador	35.5	28.8	-18.9
Guatemala	122.2	144.7	18.4
Honduras	52.9	48.6	-8.1
Mexico	3,025.2	2,312.2	-23.6
Nicaragua	28.6	21.5	-25.1
Panama	196.0	187.6	-4.3
Paraguay	42.9	54.5	27.0
Peru	455.1	309.8	-31.9
Puerto Rico	381.1	527.3	38.4
Dominican Republic[1]	123.8	n/a	-
Uruguay	97.3	122.5	25.9
Venezuela[1]	101.0	n/a	-
TOTAL[2]	13,334.0	9,315.5	-30.1

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

1/ 2020 data is not included due to the information being unavailable on the date of conclusion of this report.
2/ To maintain comparability, the 2019 results for the Dominican Republic and Venezuela are not included in the total sum for that year.

These data indicate that Guatemala (25.7%), Paraguay (20.7%), Mexico (19.6%), Uruguay (19.1%), Honduras (18.4%), Brazil (17.4%), and Puerto Rico (16.3%) had the highest ROE. The insurance markets in Ecuador (0.9%), El Salvador (7.1%), Argentina (7.8%), Bolivia (9.3%), and Colombia (9.8%), by contrast, had the lowest relative levels of this indicator in 2020.

Table 2.1-f
Latin America: Profitability by Country, 2020
(in local currency)

Country	Net equity/assets	ROE	ROA	Average inflation
Argentina	28.4%	7.8%	2.2%	42.0%
Bolivia	28.1%	9.3%	2.6%	0.9%
Brazil	7.8%	17.4%	1.4%	3.2%
Chile	10.1%	12.8%	1.3%	3.0%
Colombia	16.8%	9.8%	1.6%	2.5%
Costa Rica	46.0%	10.0%	4.6%	0.7%
Ecuador	29.1%	0.9%	0.3%	-0.3%
El Salvador	42.0%	7.1%	3.0%	0.2%
Guatemala	37.1%	25.7%	9.5%	2.4%
Honduras	25.8%	18.4%	4.8%	3.5%
Mexico	13.8%	19.6%	2.7%	3.4%
Nicaragua	43.5%	12.6%	5.5%	3.7%
Panama	40.8%	13.0%	5.3%	-1.6%
Paraguay	40.5%	20.7%	8.4%	1.8%
Peru	15.4%	11.7%	1.8%	1.8%
Puerto Rico	28.8%	16.3%	4.7%	-1.3%
Dominican Republic[1]	30.9%	26.4%	8.2%	1.8%
Uruguay	11.4%	19.1%	2.2%	9.8%
Venezuela[1]	48.1%	6.3%	3.0%	19,906%

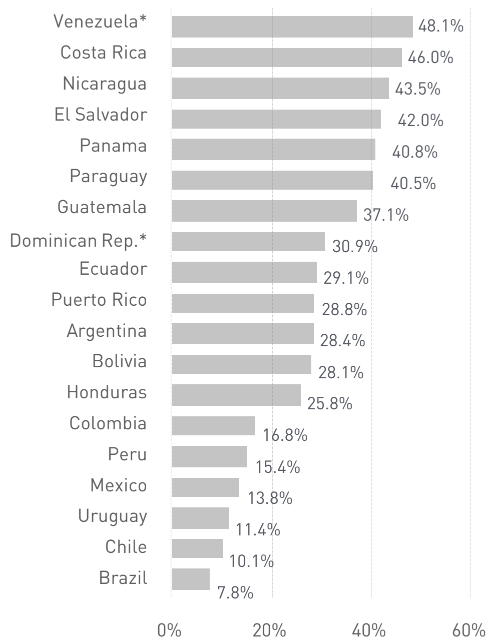
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

1/ Data for the Dominican Republic and Venezuela are from 2019 (latest available data).

Capitalization Levels

Chart 2.1-e shows the aggregate capitalization level (measured as shareholders' equity over total assets) of the insurance industries of each of the countries analyzed in this report. As pointed out in previous versions of this report, the relatively smaller insurance markets in the region tend to have higher capitalization levels, while the indicator in the region's more developed markets (Mexico, Chile,

Chart 2.1-e
Latin America: Capitalization Level, 2020
(equity/assets, %)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

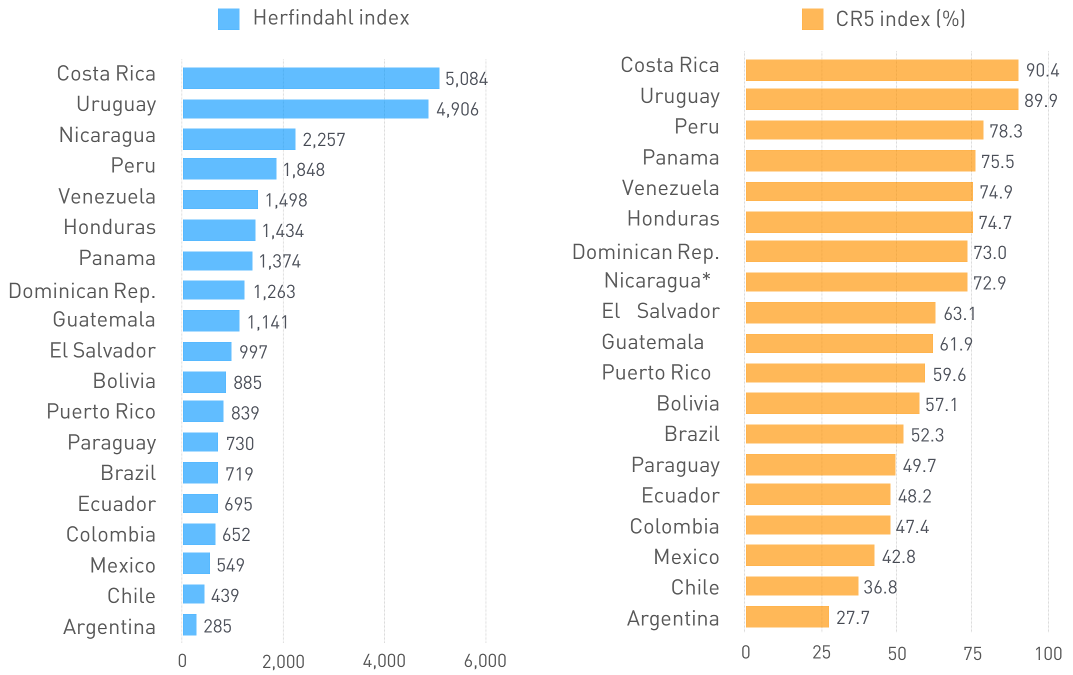
* Data for the Dominican Republic and Venezuela are from 2019 (latest available data).

and Brazil) is lower and more in line with the ratios seen in advanced economies' insurance markets. This trend is supported by the 2020 data, as shown in the above-mentioned chart.

Insurance Industry Concentration

From an economic standpoint, we can get an overview of competition levels in a market by measuring the concentration level of an industry. As such, the lower the concentration, the greater the current competitive incentive and, as a result, a further stimulating factor for market development. As shown in Chart 2.1-f, the insurance markets in Latin America with higher levels of concentration in 2020 were Costa Rica, Uruguay, Nicaragua, and Peru, with a Herfindahl index above the threshold indicating high industrial concentration (HHI>1,800). Venezuela, Honduras, Panama, Dominican Republic, and Guatemala had

Chart 2.1-f
Latin America: Herfindahl and CR5 indices, 2020



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

* Corresponds to the CR3 estimate, whereby a total of only five insurance companies operate in this market.

index values of moderately concentrated markets (1,000<HHI<1,800). The other remaining Latin American markets reported indices below 1,000 points, i.e., below the threshold associated with moderate levels of concentration. A further measure of the degree of insurance industry concentration is the market share of the top five largest companies (CR5) (shown in Chart 2.1-f), which confirms the existence of the concentration levels described based on the Herfindahl index.

2.2 Structural Trends

Penetration, Density, and Depth

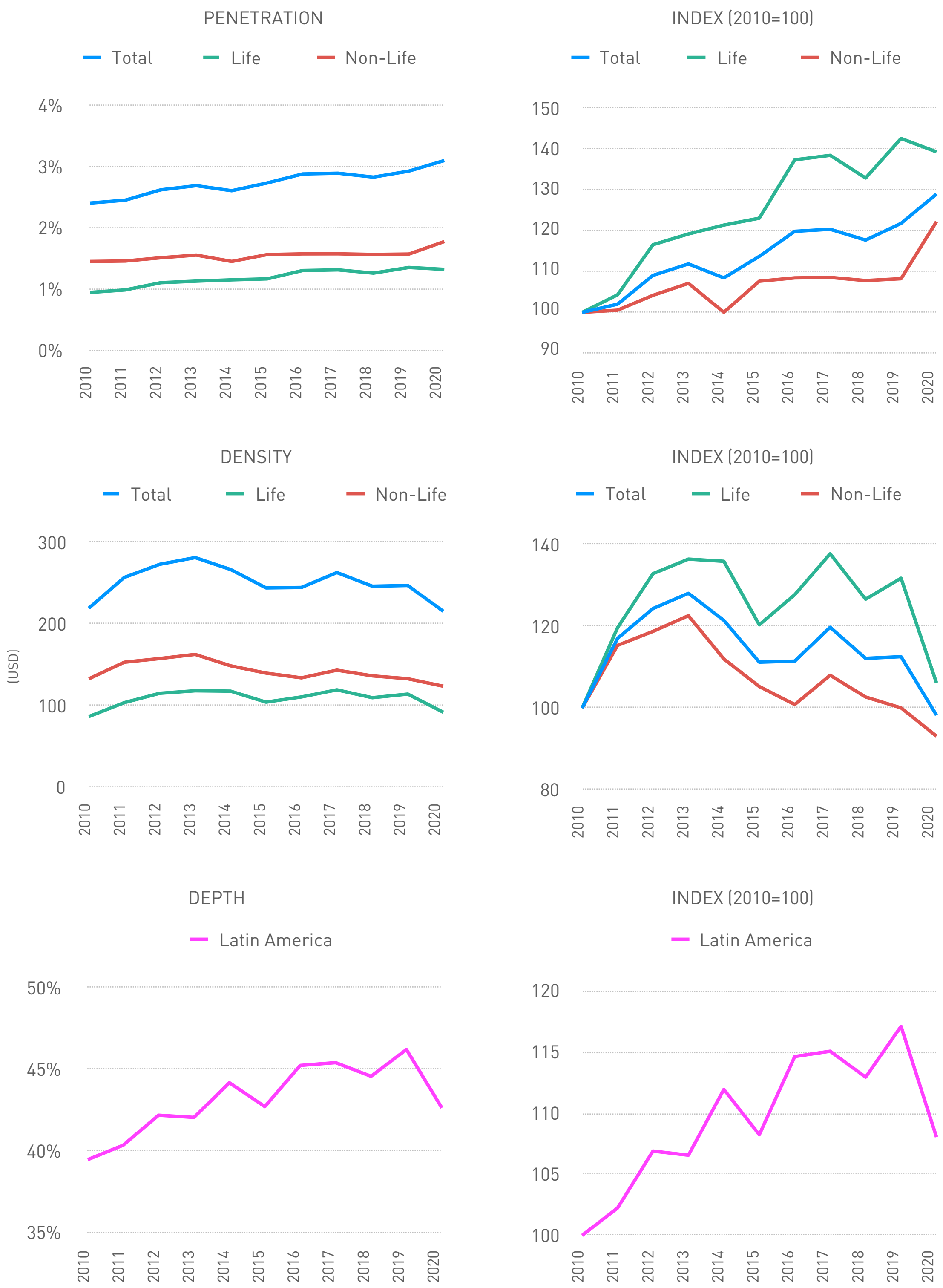
Chart 2.2-a synthesizes the structural trends in the Latin American insurance industry analyzed as a whole over the 2010-2020 period[8]. The region's average penetration rate (premiums/GDP) was 3.1% in 2020, higher than the previous year by 0.17 percentage points (pp). This indicator improved in the Non-Life segment (1.8% compared to 1.6% the previous year), but worsened in the Life segment (1.3% compared to 1.4% the previous year).

As shown in Chart 2.2-b, Puerto Rico continues to have the highest penetration and density (premiums per capita) in the region, with 2020 values standing at 16.8% and 5,620 dollars, respectively, also a significant increase compared to the previous year. This is because the Puerto Rican premium volume includes Health insurance for the poorest populations, which is managed by the private insurance industry but covered by the government's budget. In addition to this, this is also the business segment with the best performance in 2020 in the context of the health crisis caused by the COVID-19 pandemic. After Puerto Rico, Chile (3.9%), Brazil (3.2%), Argentina (3.1%), and Colombia (3%) were the countries that reported the highest penetration indices in 2020.

Chart 2.2-c shows penetration level variation for the various markets compared to the previous year and over the course of the 2010-2020 period. These data indicate that in 2020 all insurance markets in the region saw improved values of this indicator compared to the previous year, with the exception of the Chilean market, which saw a -0.7 pp decrease in insurance penetration in its economy. The biggest gains in the 2010-2020 period were in Puerto Rico, Uruguay, Brazil, Colombia, Argentina, and Mexico.

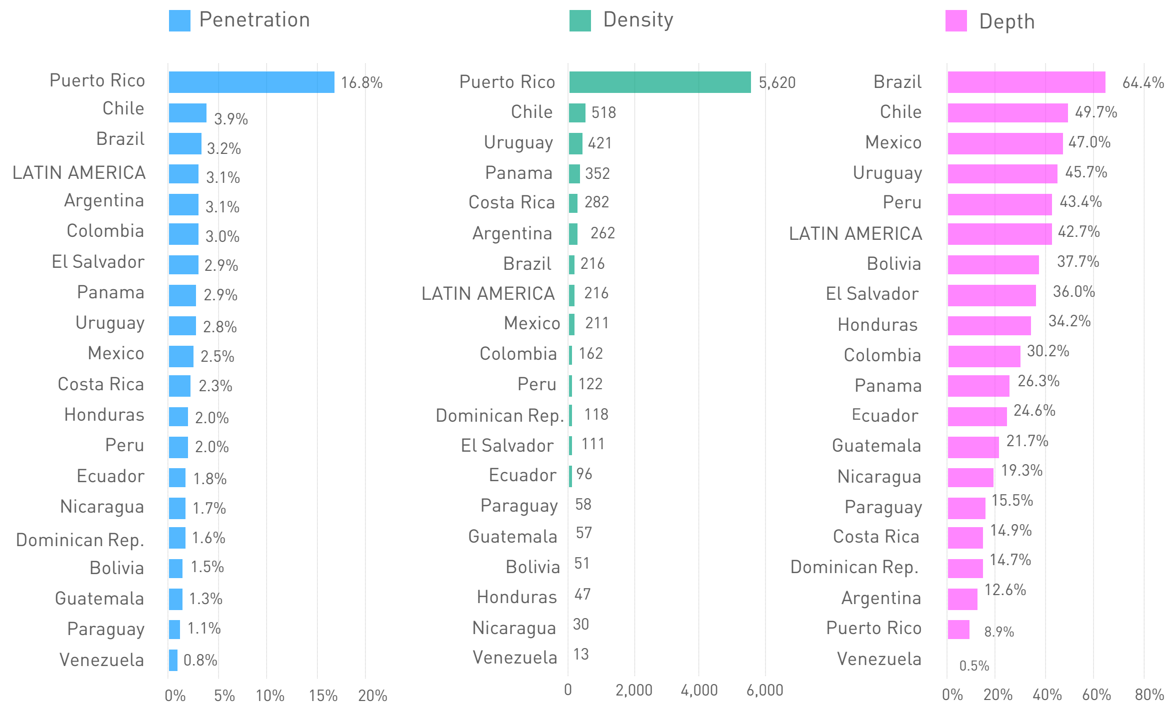
Taking a look at the medium-term (2010-2020), penetration increased 0.7 pp (in GDP terms), a highly significant increase compared to the previous measurement (0.5 pp) certainly affected by the drastic contraction in GDP caused by the pandemic in 2020 and the resistance shown by some major lines of the insurance business in the region, particularly Health. Regardless, this confirms yet another year of the growing trend toward rising insurance penetration in the region, as has been consistently observed over the last few decades. This has mainly contributed to the development of Life insurance and, to a lesser extent, Non-Life insurance, although the rebound in penetration in 2020 by Non-Life is of such a scale that it nearly closed the gap for the entire decade compared to Life insurance (which fell in 2020) explaining the boost in insurance penetration in the region. This is an unusual situation, so time will tell in the coming years if this is a shift in the trend or if things go back to how they were for both lines of business after the economic situation returns to normal. The cumulative increase in penetration in the Life insurance segment in 2010-2020 came to 39.4%, while the cumulative increase in Non-Life insurance was 22.2% over the same period.

Chart 2.2-a
Latin America: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2010 rate=100)



Source: MAPFRE Economics (based on supervisory body data)

Chart 2.2-b
Latin America: Penetration, Density, and Depth Indices, 2020
(premiums/GDP, %; premiums per capita, USD; Life premiums/total premiums, %)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

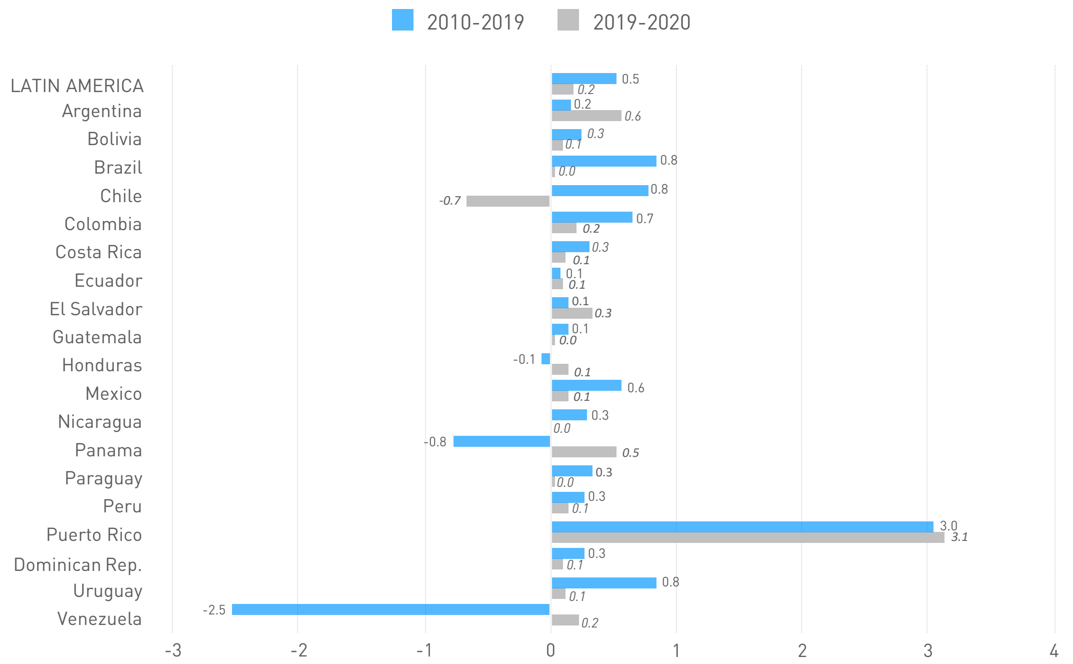
In terms of density (premiums per capita), the region's average indicator was 216 dollars, a -12.7% decrease compared to the previous year (see Chart 2.2-d). The main explanation for this behavior was the sharp depreciation of the region's major currencies in 2020 caused by the turbulence in the market resulting from the pandemic. As discussed previously, this increased uncertainty to practically unprecedented levels, causing a dash to accumulate dollar reserves and an overall depreciation of exchange rates with the dollar around the world, particularly for the non-dollarized currencies in Latin America. The majority of insurance spending per person remained focused on the Non-Life segment (123.9 dollars), which was down by -6.9% compared to the previous year. Life insurance density was 92.1 dollars, -19.5% less than in 2019.

Between 2010 and 2020, density showed a downward trend in the region, decreasing by -1.7% over this period. Notably, although the latest drop in density in 2020 was unusual due to the effect of the above-mentioned marked depreciation of exchange rates, it does confirm a change in the trend over the course of the 2010-2020 period, starting in 2013.

It should be noted that in the case of the Life insurance market, the cumulative increase remains positive; in that period, it was 6.2% (increasing from 86.8 to 92.1 dollars), but in the case of the Non-Life insurance segment, the accumulated decrease was -6.9% (going from 133.0 to 123.9 dollars). In contrast to the penetration rate over the 2010-2020 period, this latest density index shows reduced growth when compared to the 2009-2019 period.

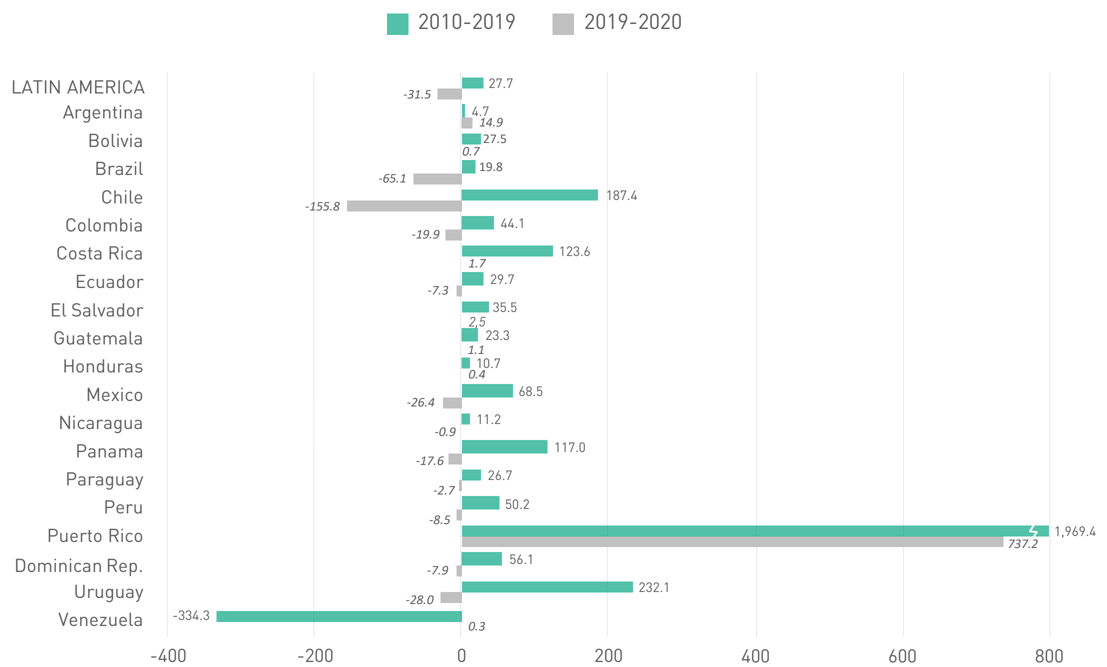
Another important detail in the individual density analysis in each of the markets considered in this report is that there was a growth trend over the last few years when the measurement was taken in the local currency. This confirms the idea that the economic stagnation in Latin America seen since the end of the 2003-2013 period is holding the region back compared to the rest of the world, reaffirming the importance of the above-mentioned structural reforms to stabilize exchange rates and the region's economies generally.

Chart 2.2-c
Latin America: Changes in Penetration, 2010-2020
(percentage points)



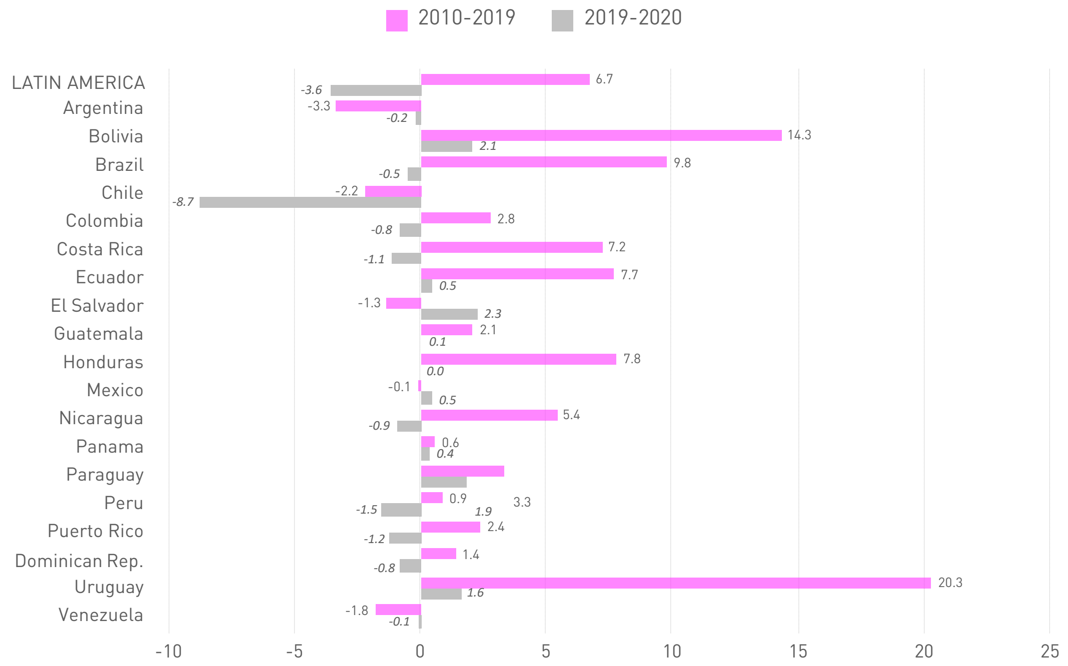
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.2-d
Latin America: Changes in Density, 2010-2020
(USD)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.2-e
Latin America: Changes in Depth, 2010-2020
(percentage points)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Finally, the insurance depth rate (Life insurance premiums over total premiums) was 42.7% in 2020, -3.6 pp less than in 2019 (see Chart 2.2-e). This indicator retreated in 2020 due to worsening performance of the Life segment in the region's major markets (unlike what occurred the year before), heavily influenced by the complex interest rate environment throughout the year (with widespread rate cuts given the application of ultra-accommodative monetary policies from central banks to fight the abrupt contraction of the GDP caused by the pandemic) and dashes for cash taken by individuals, families, and companies due to the heightened uncertainty caused by this situation. Everything indicates that this circumstance, which particularly affected Life insurance, will correct itself, as the medium-term analysis (2010-2020) shows the indicator improving over the course of the last decade, with a cumulative increase of 3.2 pp in that period.

Estimation of the Insurance Protection Gap

The Insurance Protection Gap (IPG) represents the difference between the insurance coverage that is economically necessary and beneficial to society and the amount of coverage that is actually acquired. Estimating the IPG not only helps to determine the gap in terms of societal under-insurance, but also the potential market for insurance, which is the market size that could be achieved were the gap eradicated.

By nature, the IPG is not a static concept involving an invariable amount over time. On the contrary, this potential insurance space is modified continuously based, on the one hand, on each country's economic growth of and, on the other, new risks to be covered intrinsic to economic and social development.

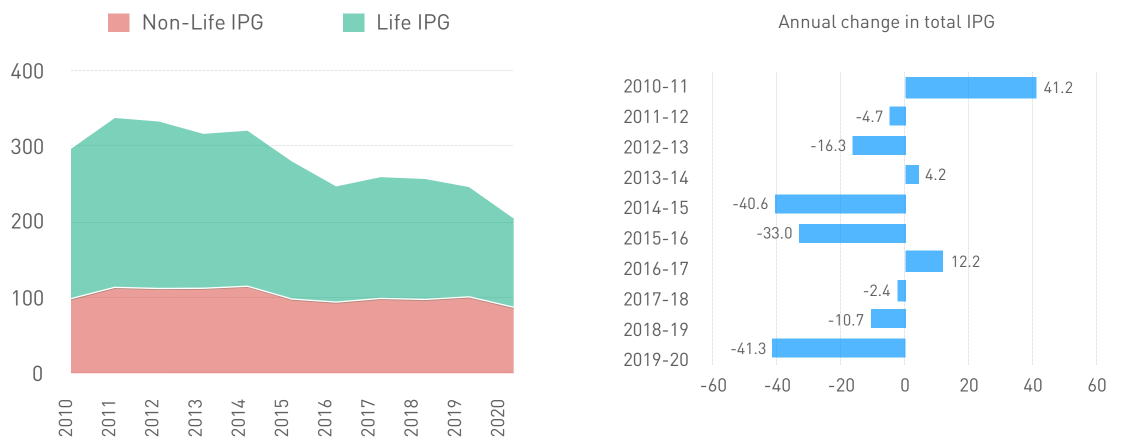
The IPG is also highly correlated with market growth: quantitatively, the gap becomes smaller as the penetration rate increases, and qualitatively it tends to get smaller as markets become more sophisticated and more mature. So, factors like sustained economic growth, inflationary control, an increase in disposable personal income, overall development of the financial system, an efficient regulatory framework, and the application of public policies aimed at boosting financial inclusion and education are factors that stimulate the reduction of the IPG in the medium term.

The IPG for the Latin American insurance market[9] is estimated at 206 billion dollars for 2020, down -16.7% (-41.3 billion dollars) from the previous year's estimate. There were no major changes in the structure of the IPG over the last decade compared to our previous report, confirming that the bulk of the gap lies in Life insurance. In 2020, 57.7% of the IPG therefore corresponded to Life insurance (118.9 billion dollars), while Non-Life insurance accounted for 42.3% of the gap, equivalent to 87.1 billion dollars (see Chart 2.2-f). It's important to note that in the considerable IPG reduction seen in 2020 was not only related to the trend of better leveraging of insurance levels in the region (a medium-term trend already being observed beforehand), but also, to the statistical effect caused by increased penetration of the insurance markets analyzed above arising out of the relative resilience of insurance demand even as GDP abruptly shrank.

The potential insurance market in Latin America in 2020 (measured as the sum of the actual insurance market and the insurance gap) was 340.4 billion dollars, meaning 2.5 times the current market in the region (see Chart 2.2-g).

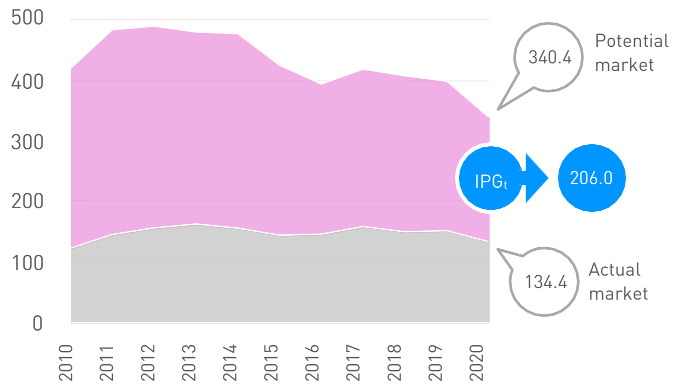
An additional way to analyze the insurance gap in relative terms consists of presenting it as a multiple of the actually existing market. Thus, as shown in Chart 2.2-h, the insurance gap in the region between 2010 and 2020 shows a downward trend, both with total market analysis (which went from 2.4 to 1.5 times the actual market) and with an analysis of the Life segment (which dropped from 4.1 to 2.1 times the corresponding market). As a result of the unusual situation in 2020 caused by the economic effects of the pandemic, the Non-Life insurance market appears to have gone back to the downward trend it was on (particularly between 2014 and 2017), decreasing from 1.3 to 1.1 times the corresponding market over the course of the decade.

Chart 2.2-f
Latin America: Insurance Protection Gap
(billions of USD)



Source: MAPFRE Economics

Chart 2.2-g
Latin America: Insurance Protection Gap and Potential Market
(billions of USD)



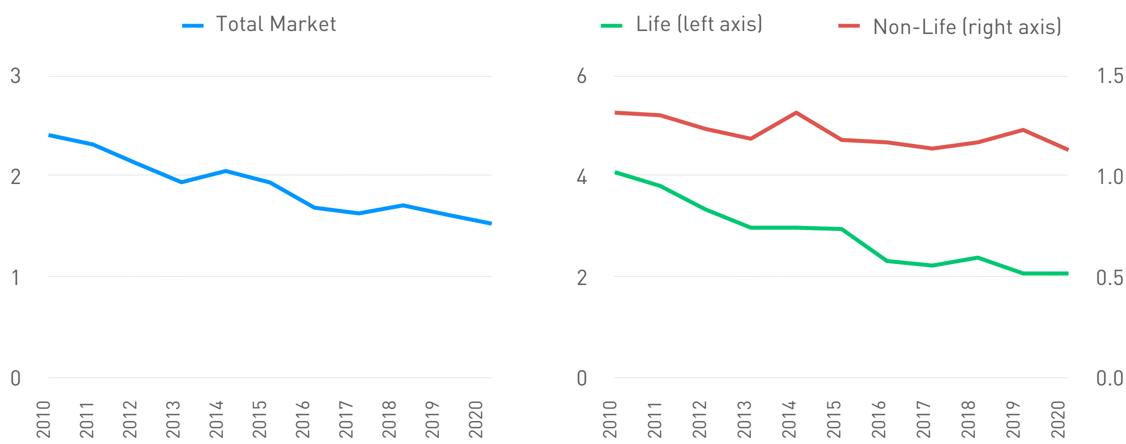
Variation	Actual market	IPG
2020-2010	8.9%	-30.7%
2020-2019	-11.9%	-16.7%

Source: MAPFRE Economics

Nevertheless, given the uniqueness of the situation, we'll need to wait for the measurements from the next few years to see if this is a true shift in the trend or if things go back to the state of stagnation seen before the coronavirus crisis.

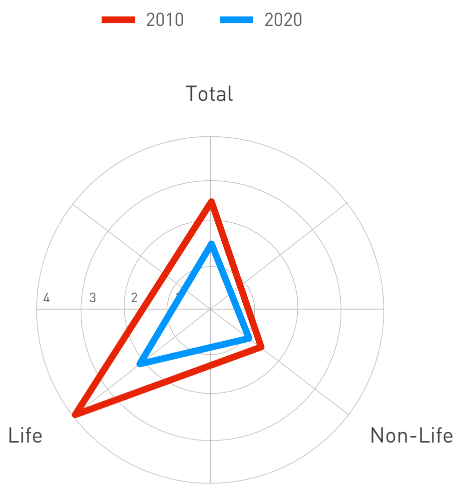
Chart 2.2-i synthesizes the evolution of the IPG as a multiple of the actual market for the Life and Non-Life segments and the entire Latin American insurance market specifically comparing the situation in 2020 to the situation in 2010. In this period, the total insurance gap improved, especially driven by the reduction of the IPG in the Life segment (the least developed segment relatively speaking in the region), while the Non-Life insurance gap as a multiple of the actual market showed significantly less variation in that period.

Chart 2.2-h
Latin America: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 2.2-i
Latin America: Change in IPG as a Multiple of the Actual Market

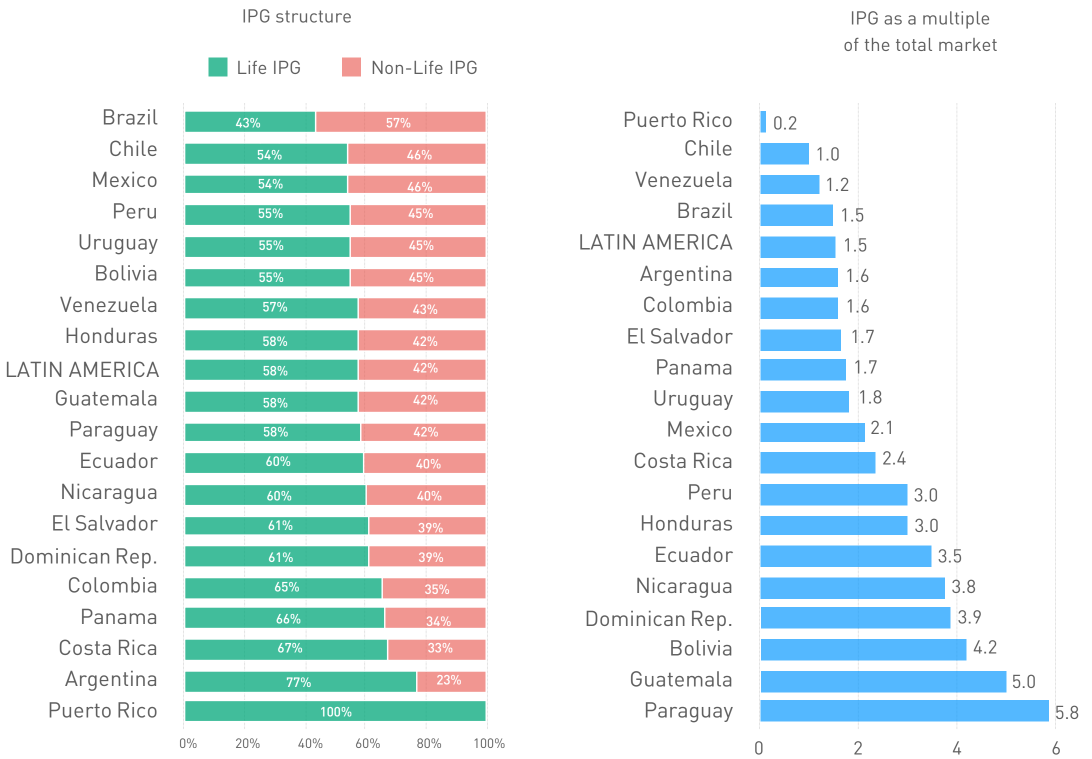


Source: MAPFRE Economics

Charts 2.2-j and 2.2-k show the structure of the IPG for each of the countries in the region, as well as the relative size of the insurance gap compared to the total current market and the different lines of insurance (Life and Non-Life). As we have pointed out in previous reports, in addition to structural trends, the development of insurance markets is associated with the level of balance in the existing IPG, which can suggest under-developed areas. The degree of progress in market development is therefore linked to the ratio of the insurance gap compared to the current market.

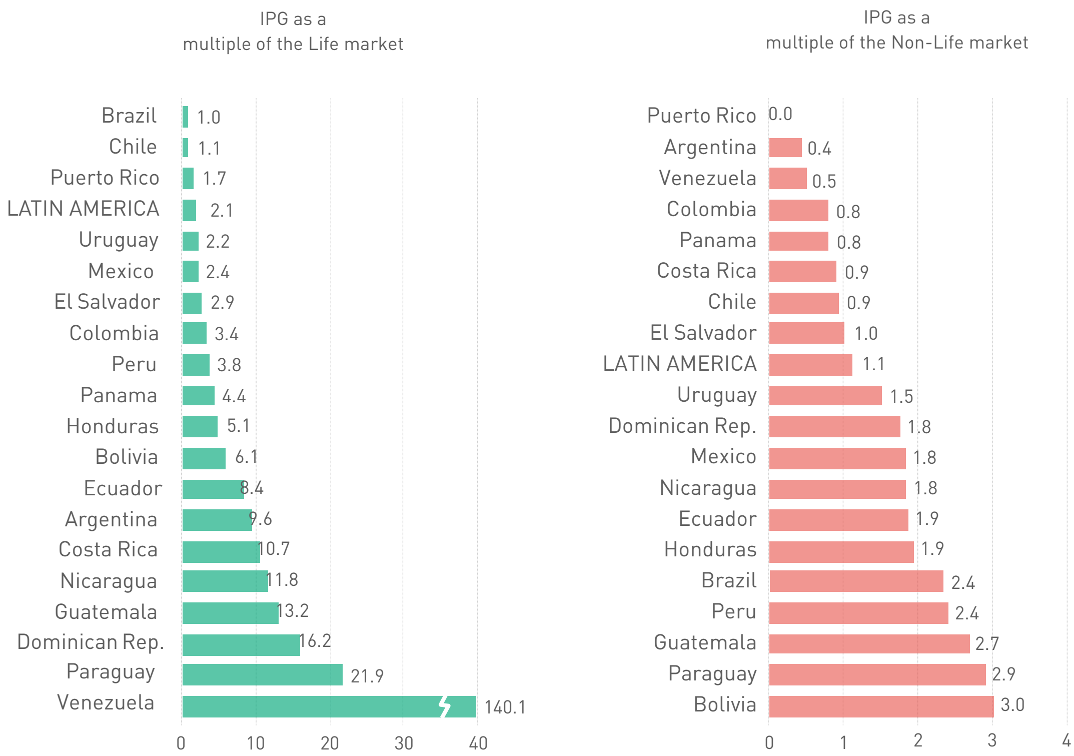
Chart 2.2-l provides an update on the evaluation done on the Latin American insurance industry's capacity to close the insurance gap.

Chart 2.2-j
Latin America: Structure and Relative Size of the Insurance Protection Gap, 2020
(structure, %; IPG as a proportion of total market, number of times)



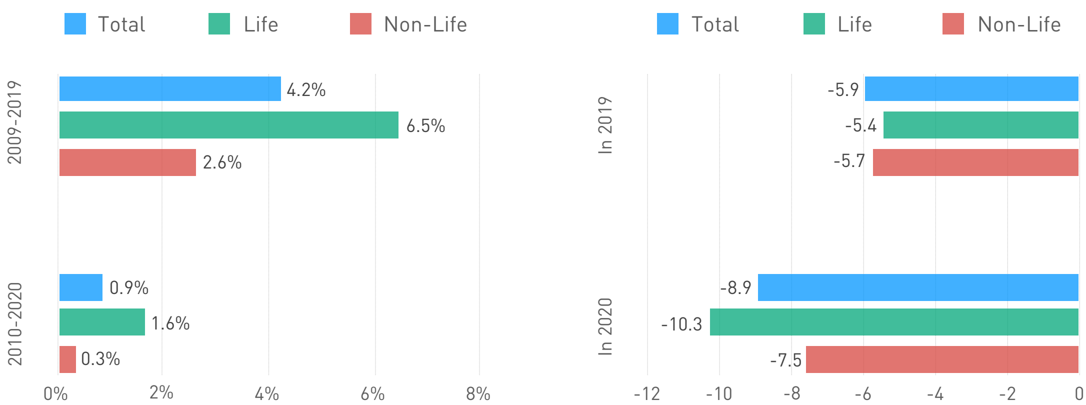
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.2-k
Latin America: Structure and Relative Size of the Insurance Protection Gap in the Life and Non-Life Segments, 2020
(structure, %; IPG as a proportion of the respective market, number of times)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.2-l
Latin America: Capacity to Close the IPG
(annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

A comparative analysis done between the growth rates seen in the sector in the 2010-2020 period, compared to the growth rates that would be necessary to close the 2020 IPG over the course of the next 10 years. This analysis showed that over the course of said period (2010-2020), the insurance market in the region registered an average annual premium growth rate (measured in dollars) of 0.9%, consisting of an average growth of 1.6% in the case of the Life insurance segment and 0.3% in the case of Non-Life, a dynamic that has slowed notably compared to the 2009-2019 measurement, which showed growth of 4.2%, 6.5%, and 2.6%, respectively due to the significant pandemic-related downturn in the insurance business in the region in 2020. Accordingly, if this same growth dynamic observed over the 2010-2020 period were to continue over the next 10 years, the market growth rate would fall short of covering the 2020 IPG by -8.9 pp. This is also true in the analysis of the Life insurance (with an insufficiency of -10.3 pp) and the Non-Life insurance (with an insufficiency of -7.5 pp) segments, as the situation worsened for both of them compared to 2019.

Chart 2.2-m shows the results of this analysis considering each of the markets analyzed in this report in terms of each one's ability or inability to close the 2020 insurance gap in the next 10 years. As the chart shows, on the whole, only the insurance markets of Uruguay, Puerto Rico, and Brazil showed an average annual growth rate big enough to sustain itself over the course of the next decade and close the 2020 insurance gap. In the Life segment, the markets that would succeed in closing the IPG would only be Uruguay and Brazil, while in the Non-Life segment, the markets that show growth sufficient enough to close the gap are Puerto Rico, Colombia, Chile, Uruguay, Costa Rica, and the Dominican Republic.

Market Development Index

Finally, Chart 2.2-n shows the estimated Market Development Index (MDI) for the Latin American insurance industry. The MDI is an indicator that summarizes trends in the evolution and maturity of insurance markets.

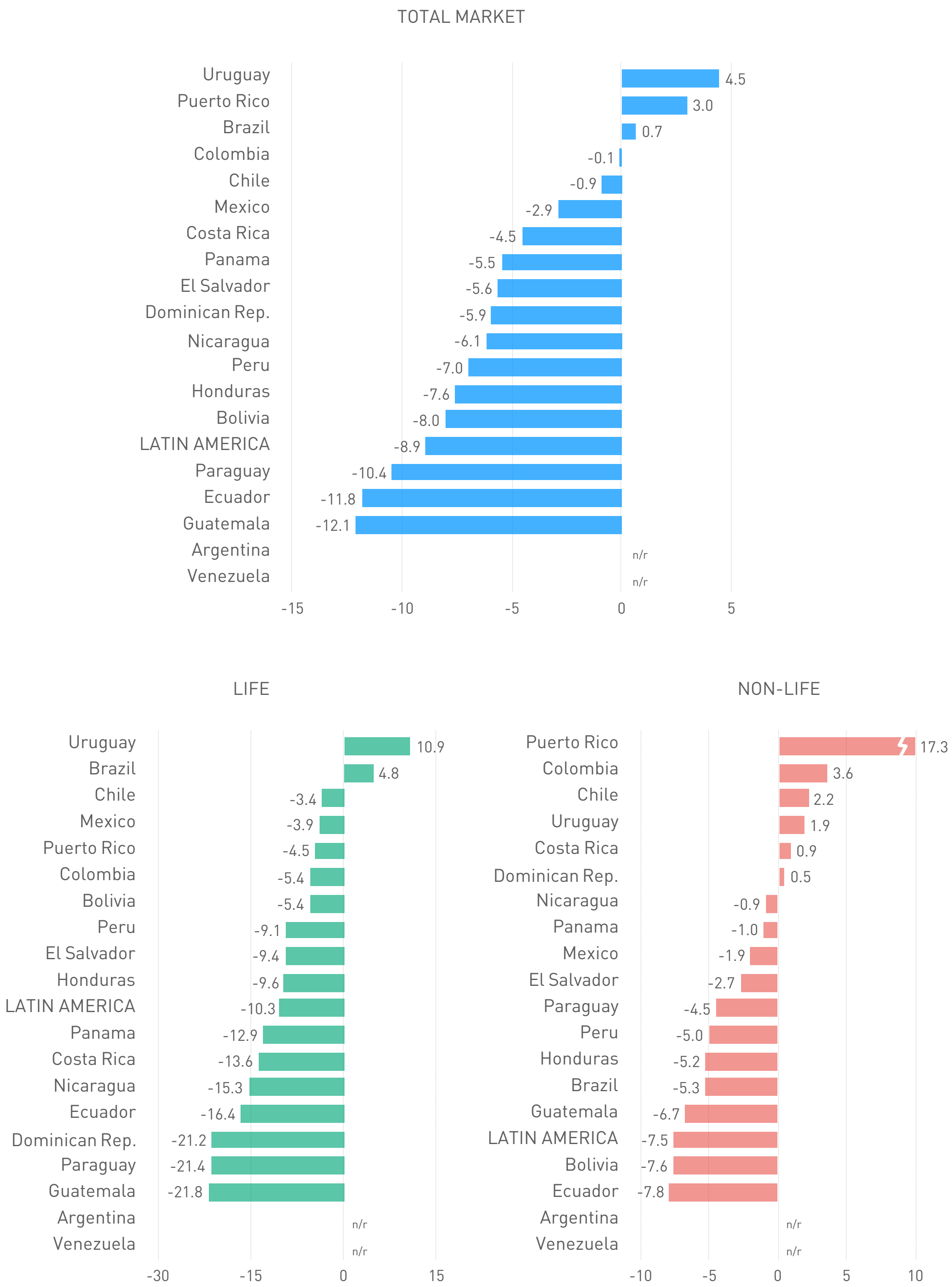
It is a composite index constructed from four individual indicators based on 2005: (i) the penetration rate, (ii) the depth rate, (iii) an IPG evolution rate (rate of the inverse of the IPG as a multiple of the market), and (iv) an IPG Life insurance evolution rate (rate of inverse Life insurance IPG as a multiple of said market). For the purposes of this report, the indicator is also used as a comparison parameter when analyzing individual development trends in each of the region's insurance markets.

As can be seen from this information, for the region as a whole, the MDI has shown sustained improvement over the last decade, despite suffering a slight dip in 2014 and in 2018. Despite these two dips, the clear upward trend seen in the industry in the 2010-2020 period shows that the Latin American insurance market is still growing positively when analyzed in the medium term. The relative improvement of the indicator in 2020, despite the negative effects of the economic crisis caused by the pandemic on the insurance industry in the region, is also worth mentioning.

The same situation is confirmed in Chart 2.2-o, which shows a dispersion analysis that seeks to identify the development trend of the Latin American insurance market over the 2010-2020 period, based on the evolution of penetration rates (as an indicator of the quantitative growth of this activity) and of insurance depth rates (as a proxy of the level of maturity in market development).

This dispersion analysis confirms that, analyzed as a whole, the Latin American insurance industry has had balanced, consistently positive development over the course of the 2010-2019 period, as that development has been characterized, on the one hand, by sustained high penetration levels (quantitative component of market development) and, on the other, continuously increasing depth qualitative dimension of the market development process).

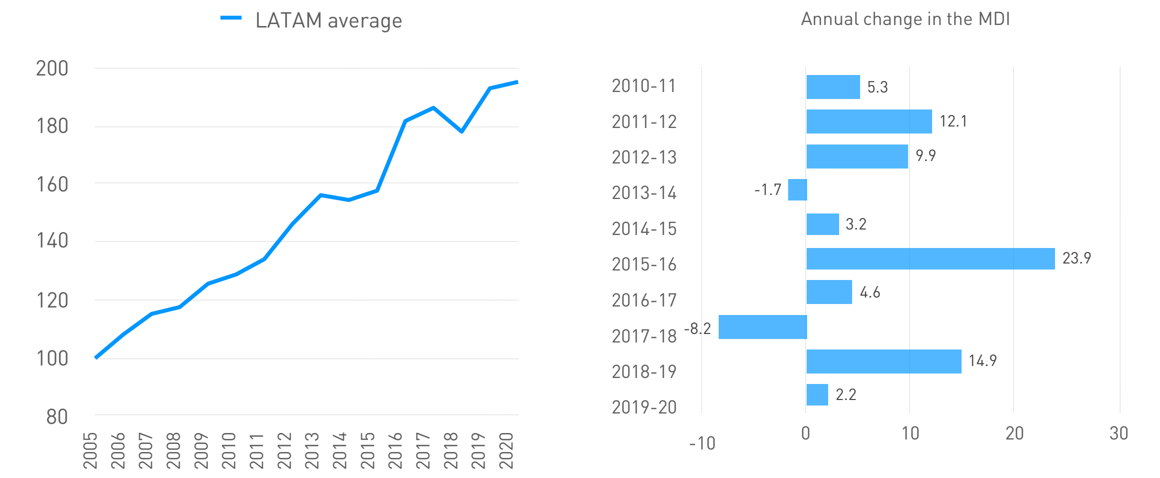
Chart 2.2-m
Latin America: Sufficiency (Insufficiency) to Close the 2020 IPG in 10 years
(sufficiency or insufficiency, pp)



Source: MAPFRE Economics

n/r Not relevant for the analysis, due to the effects of overestimation produced by the high inflation levels present in these economies.

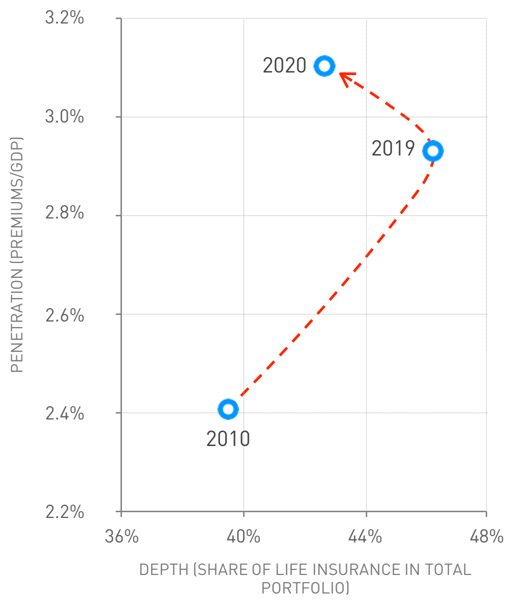
Chart 2.2-n
Latin America: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

However, in 2020, the drop in depth level generated by the impact of the crisis caused COVID-19 pandemic due to plummeting Life insurance business is notable, especially affected by the ultra-accommodative monetary policy measures implemented by the central banks of the region's economies (with significant cuts to interest rates), complicating business for Life savings and life annuity insurance as the guaranteed yield on the products sold had to be reduced substantially. This all occurred in spite of the relative increased penetration due to the resilience of demand for insurance even while the GDP shrank. Compounding this, there was also the abrupt economic contraction and a dash for cash, as often occurs in highly uncertain times like this crisis, causing economic players to prefer to hold onto their savings in cash as opposed to make other kinds of medium or long-term investments, as discussed above.

Chart 2.2-o
Latin America: Medium-Term Changes in the Insurance Market, 2010-2020
(penetration vs. depth)



Source: MAPFRE Economics

Summary of M&A Activity

In a year marked by the economic crisis caused by the COVID-19 pandemic, the inorganic growth of a number of industry holdings in the region caused by mergers and acquisitions did not cease. The following mergers and acquisitions were notable in 2020. First of all, Orígenes Seguros de Retiro, S.A. acquired 100% of the block of shares of MetLife Seguros de Retiro in October 2020, mainly affecting the Argentine market[10]. Zurich Insurance Group entered into an agreement to acquire the operations of Australian insurance company QBE Insurance Group Limited (QBE) in Latin America for a total price of 409 million dollars, subject to closing adjustments. This transaction completes QBE's withdrawal from the Argentine and Latin American market; it sold its occupational risk insurance company to Grupo Werthein in 2015[11].

In Brazil, the most notable agreement is the acquisition of operations on the Automobile and Basic Insurance lines of Brazilian insurance company SulAmérica by the Allianz group after the agreement was signed in August 2019[12]. On December 30, 2019, the Chilean National Economic Prosecutor (FNE) and the Commission for the Financial Market (CMF) authorized the stock purchase agreement signed on September 13, 2019, making Seguros de Vida and SegChile Seguros Generales part of the multinational Chubb INA International Holdings[13]. Also in Chile, Mutua Madrileña exercised the purchase option that allowed it to expand its stake in the Chilean insurance company BCI Seguros from 40% to 60%[14].

In the first quarter of 2020, MAPFRE reached an agreement with Centro Financiero BHD León in the Dominican Republic in which MAPFRE purchased 51% of the insurance company Salud ARS Palic and changed its name to MAPFRE Salud ARS[15]. Likewise, in El Salvador, Imperia received authorization to purchase Scotiabank and Scotia Seguros[16].

In the Mexican insurance market, Grupo Financiero Banorte (Grupo Banorte) announced in May that regulators gave final approval to the merger of its Banorte Pensions unit (Pensiones Banorte) with Sura Pensions (Pensiones Sura), initially announced in November 2019. In May it also announced the authorization for the closing of the life annuity portfolio transfer in this country as announced to the market on November 29, 2019. The transaction included the transfer for 15,000 Grupo Sura policies in addition to 574 million dollars in assets. In addition, Sanitas' parent company (BUPA México) announced the acquisition of the Vitamédica subsidiary from BBVA, a health service provider that manages the health policies of BBVA Mexico and Citibanamex[17]. In Uruguay, Suramericana bought 100% of Vinnyc and Russman shares[18]. In Paraguay, Providencia de Seguros was acquired by Itau. The economic effects of this will be seen in 2021[19].

Market dynamics and their evolution over the course of this year show that 2021 will continue to be heavily impacted by the pandemic. We expect a rise in the mergers and acquisitions market this year, after the beginning of 2020 saw the pandemic delay a large number of transactions, although there was a 30% increase in the second half of 2020[20]. Divestment from non-essential businesses accounted for 70% of the industry's transactions over the last five years and buyers are taking advantage of these divestments to strengthen their market positions. As the industry evolves, traditional insurance companies need to develop new capacities[21]. Further mergers of small insurance companies are expected due to the need for substantial investments in technology[22]. It is worth mentioning that the finance and insurance industry in the Mexican market was the most active of the year in this regard, with a total of 20 mergers and acquisitions, an increase of 33%. However, there was a 58% drop in the total amount of these transactions the previous year[23].

Recently, a private US capital fund, Australis Partners, acquired a majority stake in Sekura, a company serving 600 companies and more than 2 million insured parties and looking to enhance growth with new partnerships. In Chile, in April 2021, the merger by incorporation of Banchile Seguros de Vida and Chubb Vida was approved, while Grupo Security entered into a partnership with insurtech firm Betterfly. In March 2021, the merger between Virginia Surety Seguros and

Assurant was authorized, and in September Aon Argentina announced that it will manage the 200,000 policies that CMR Falabella had sold (as part of Falabella's withdrawal from the country). Finally, in Brazil, Austral announced it purchased Markel's reinsurance operations in Brazil. The contract was signed in February 2021 and the acquisition was approved by the Superintendency for Private Insurance (SUSEP) in May 2021.

Individual Analysis of Latin American Insurance Markets

The next section of this report provides a detailed analysis for each of the Latin American insurance markets. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2020, before analyzing the main figures and trends in their insurance markets. Individual reports are comprised (when the data available so allow) of an outlook on premium growth, the main items on the sector's aggregate balance sheet, technical performance, and the results and profitability of the insurance industry for the 2010-2020 period. It also includes a review of the main structural trends in each market, analyzing developments in insurance penetration, density, and depth. In order to appropriately portray the dynamics underlying the main trends in each market, the country analysis uses local currency so as to avoid the distorting effects of exchange fluctuations. Finally, each of the individual reports includes an estimate of the insurance gap, in terms of both its size and structure.

3. Latin American Insurance Markets: Analyses by Country

3.1 North America, Central America, and the Caribbean

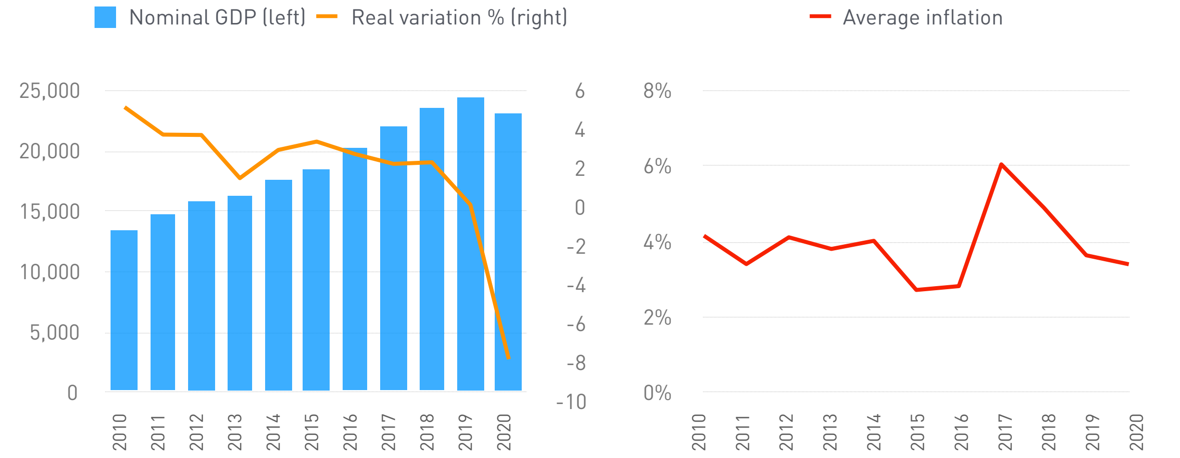
3.1.1 Mexico

Macroeconomic Environment

The Mexican economy contracted by around -8.3% in 2020 (one of the largest contractions in Latin America), compared to the slight -0.1% contraction the previous year, due to the severity of the effects of the pandemic and social distancing measures on the economy (see Chart 3.1.1-a). Internal demand abruptly fell due to reduced private consumption and investment in addition to the impact of plummeting foreign demand after the major drop in the United States GDP (its main trading partner) and in global trade. There was also plummeting demand and prices for raw materials that the Mexican economy is a net exporter of, particularly, the price of oil, in addition to the international tourism shutdown. All of this caused a significant number of jobs to be lost with an average unemployment rate of 4.6% (compared to 3.5% in 2019).

The economic and social fiscal aid packages adopted to mitigate the economic effects of the pandemic were reduced and represent 1.1% of the GDP (significantly less than those adopted by the large economies in the region), funded by the reorientation of fiscal resources with no additional bonds issued beyond those budgeted. The fiscal deficit stood at around 3% of the GDP at the end of 2020 (1.7% in 2019), motivated in part by the drop in tax revenue as a result of the major economic downturn. Tax authorities were thus obligated to give up on the goal of achieving a primary surplus of 0.7% of the GDP and government debt was 54% of the GDP (compared to 46.7% in 2019), an increase due largely to the sharp contraction of the Mexican economy, as well as depreciation in the exchange rate affecting the rating of bonds issued in dollars (the depreciation of the average exchange rate in 2020 was -11.6%, compared to the previous year). On a positive note, the current account balance closed the year with a surplus of 2.4% of the GDP (-0.3% in 2019).

Chart 3.1.1-a
Mexico: Changes in Economic Growth and Inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

The Bank of Mexico applied an accommodative monetary policy in an attempt to dampen plummeting demand by cutting the benchmark interest rate seven times over the course of 2020, from 7.25% at the beginning of the year to 4.25% in September, in addition to other unconventional monetary policy measures to guarantee the proper functioning of financial markets and credit systems and ensure the liquidity of the financial system. Average inflation was 3.4% (3.6% in 2019). In February 2021, the Bank of Mexico reduced it another 25 basis points, but rising inflation in the first half of the year forced it to reverse this, raising the official interest rate to 4.50% in August, after having raised it 25 basis points in June.

MAPFRE Economics[24] is forecasting a partial recovery of the Mexican economy in 2021, with GDP growth that may be around 5.4% helped by the recovery of the economy of the United States and the price of oil, driven by the recovery of the global economy. The Economic Commission for Latin America and the Caribbean (ECLAC)[25] sets its growth forecast for economic activity in Mexico in 2021 at 6.2%, while the International Monetary Fund (IMF) sets it at 6.3%[26].

Insurance Market

Growth

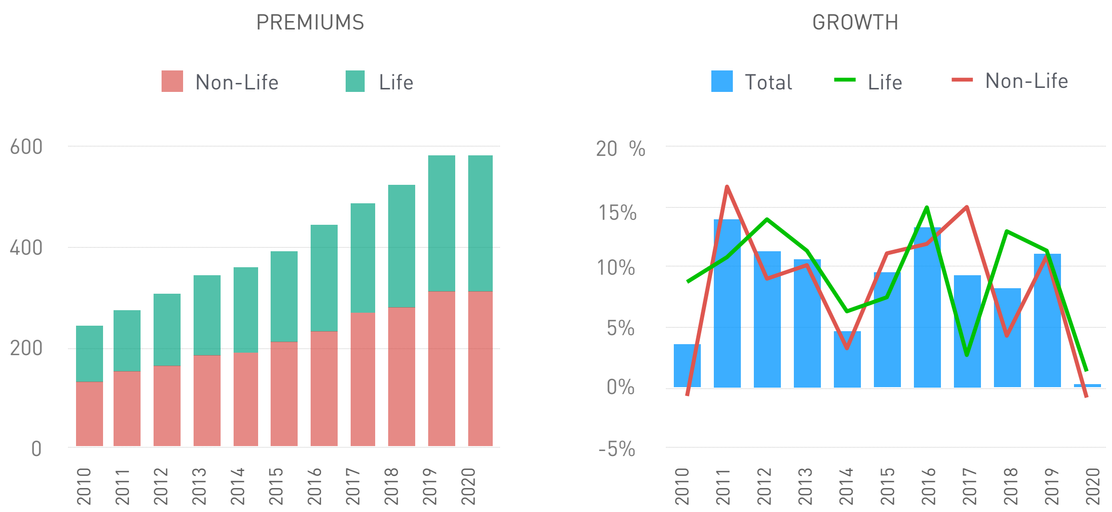
Total premiums for the Mexican insurance market in 2020 amounted to 583.56 billion pesos (27.17 billion dollars), entailing a nominal increase of 0.2% and a real change of -3.1% (see Table 3.1.1 and Chart 3.1.1-b). The percentage of premiums corresponding to Life insurance and Pensions went unchanged at 47% and the remaining 53% corresponded to

Table 3.1.1
Mexico: Premium Volume[1] by Line, 2020

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**583,563**	**27,170**	**0.2**	**-3.1**
Life	**274,240**	**12,768**	**1.4**	**-1.9**
Individual Life	178,897	8,329	-0.5	-3.8
Group Life	66,161	3,080	4.4	1.0
Pensions	29,183	1,359	7.0	3.5
Non-Life	**309,322**	**14,401**	**-0.8**	**-4.1**
Auto	105,929	4,932	-8.0	-11.0
Health[2]	97,205	4,526	12.1	8.4
Fire	20,326	946	-3.6	-6.7
Earthquake and other catastrophic risks	23,656	1,101	8.6	5.0
Miscellaneous	25,393	1,182	2.6	-0.8
Transport	13,301	619	-27.6	-30.0
Third-party liability	14,106	657	4.4	1.0
Personal accident	4,947	230	-9.9	-12.9
Agricultural	1,800	84	-31.6	-33.9
Credit and surety	2,659	124	14.8	11.0

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)
1/ Direct premium
2/ Accident and Illness line

Chart 3.1.1-b
Mexico: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)

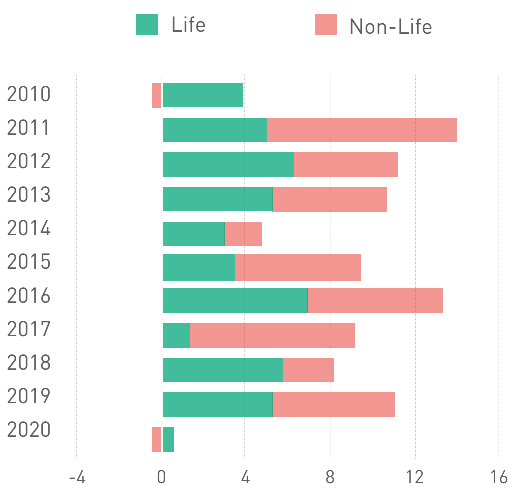


Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Non-Life insurance. Nominal market growth in 2020 (0.2%) was aided by a larger contribution from the Life insurance segment at +0.6 pp, while Non-Life insurance contributed negatively with -0.4 pp (see Chart 3.1.1-c).

An analysis of the main market segments shows that Life insurance premiums grew 1.4% in nominal terms (-1.9% in real terms) reaching 274.24 billion pesos (12.77 billion dollars). It is worth noting that individual life insurance policies, which represent 65.2% of Life insurance policies, fell -0.5% in

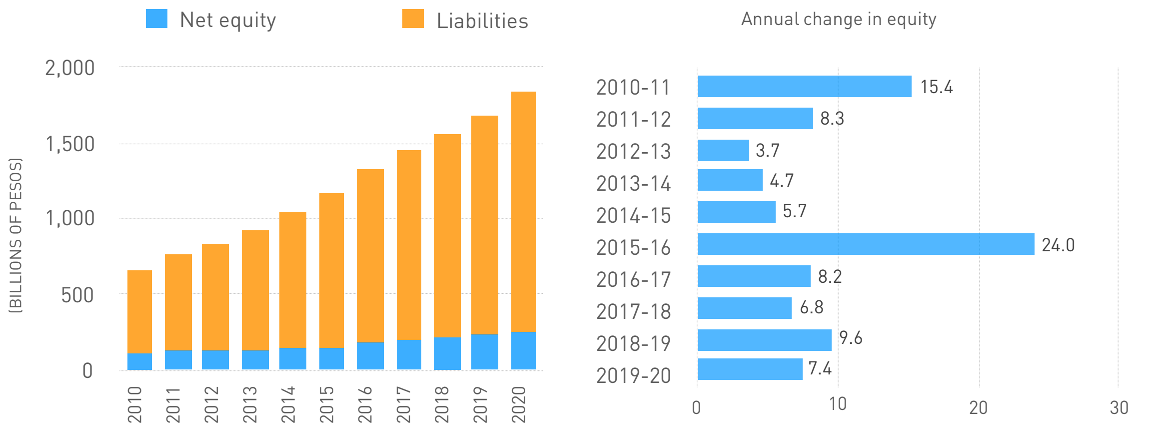
Chart 3.1.1-c
Mexico: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	3.5	3.9	-0.4
2011	14.0	5.0	8.9
2012	11.3	6.3	5.0
2013	10.7	5.3	5.5
2014	4.7	3.0	1.8
2015	9.4	3.6	5.9
2016	13.3	7.0	6.4
2017	9.2	1.3	7.9
2018	8.2	5.8	2.4
2019	11.1	5.3	5.9
2020	0.2	0.6	-0.4

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-d
Mexico: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

nominal terms (-3.8% in real terms), to 178.90 billion pesos (8.33 billion dollars). Group insurance policies also increased 4.4% (1% in real terms), in contrast to the performance seen in individual Life insurance policies.

Non-Life insurance premiums lost -0.8% in nominal terms and -4.1% in real terms in 2020, reaching 309.32 billion pesos (14.4 billion dollars). The Personal accident, Agricultural, Transport, Fire, and Auto lines decreased premium volumes, while Health, Earthquake, Credit and Surety, and Third-Party Liability grew. The largest two Non-Life lines, Auto and Health, behaved unevenly. While the former fell -8.0%, the latter grew 12.1% in nominal terms.

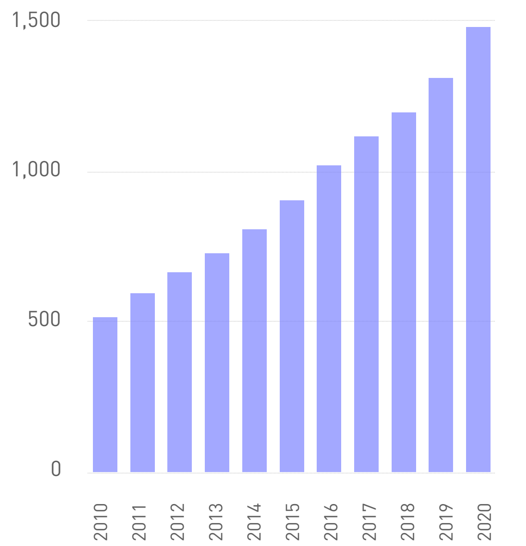
Balance Sheet and Shareholders' Equity

Chart 3.1.1-d shows developments in the overall balance sheet of the Mexican insurance market at sector level for the 2010-2020 period. These data show that total assets for the insurance industry in Mexico amounted to 1.83 trillion pesos (92.09 billion dollars) in 2020, while equity stood at 253 billion pesos (12.72 billion dollars), 7.4 pp more than in 2019.

Investments

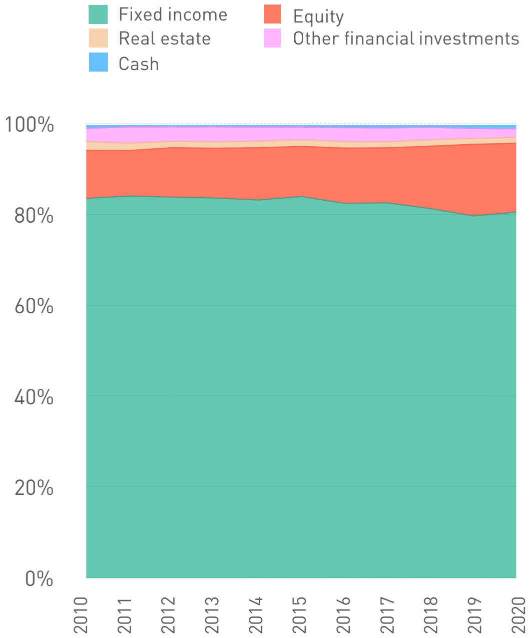
The evolution of total investments is shown in Chart 3.1.1-e, while Charts 3.1.1-f and 3.1.1-g show the composition of the aggregate investment portfolio for the Mexican insurance market in 2020. At the end of 2020, total

Chart 3.1.1-e
Mexico: Insurance Market Investments
(billions of pesos)



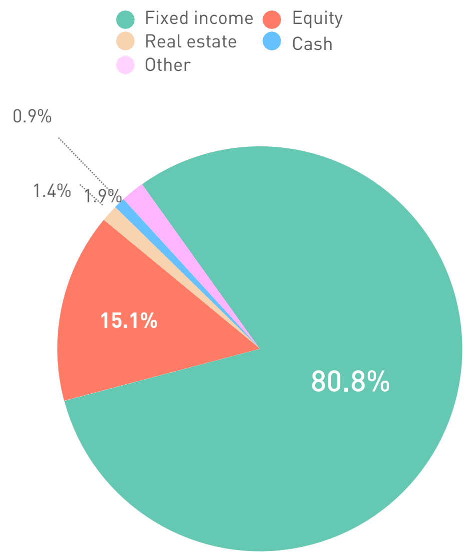
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-f
Mexico: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-g
Mexico: Structure of Investment, 2020
(%)



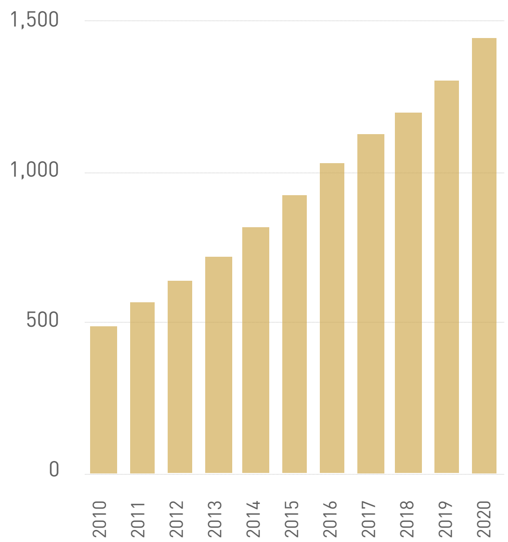
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

investments stood at 1.48 trillion pesos (74.05 billion dollars) with a distribution similar to that of 2019, heavily concentrated on fixed-income, which represented 80.8% of investments, 0.8 pp more than the previous year, breaking the trend of increasing importance for equity instruments, which represented 15.1% of investments, -0.6 pp less than the previous year (Chart 3.1.1-g). It is worth noting that the increased relevance of sovereign debt influenced the capital charges applied in Mexico due to the implementation of the Solvency II prudential regulations favoring the marriage of assets and liabilities and, therefore, the use of debt instruments.

Technical provisions

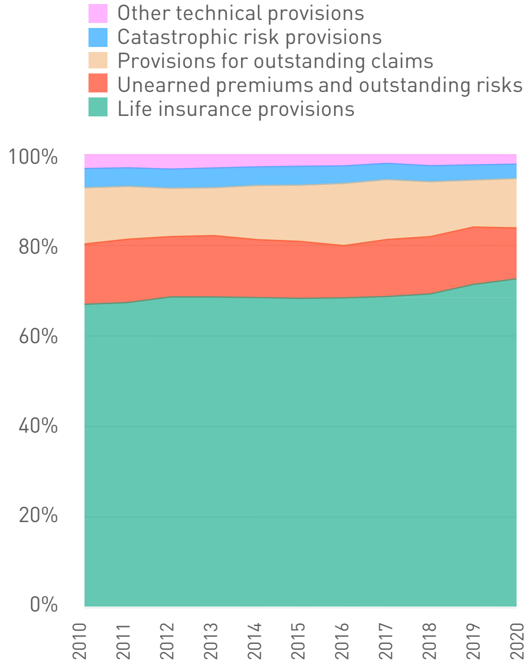
Chart 3.1.1-h shows the evolution of technical provisions in the Mexican insurance industry. These data indicate that in 2020 all of the

Chart 3.1.1-h
Mexico: Technical Provisions of the Insurance Market
(billions of pesos)



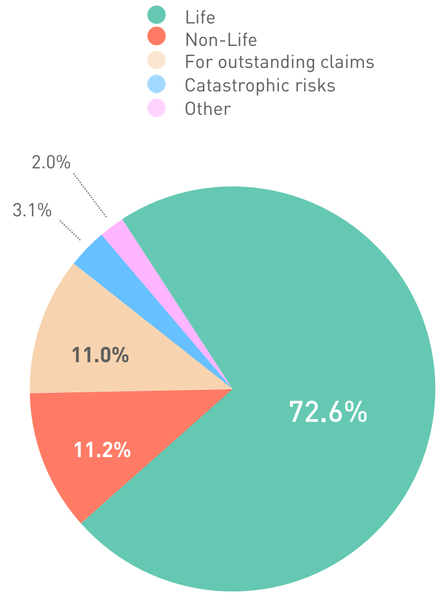
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-l
Mexico: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-j
Mexico: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

technical provisions was 1.44 trillion pesos (72.30 billion dollars). Moreover, as shown in Charts 3.1.1-i and 3.1.1-j, 72.6% of all technical provisions corresponded to Life insurance, 11.2% to provisions for unearned premiums and outstanding risks for Non-Life insurance, 11% to the technical provision for outstanding claims, 3.1% to catastrophic reserves, and the remaining 2% to other technical provisions. Notably, over the course of the 2010-2020 period, the relative weight of Life insurance provisions went up, rising from 67% in 2010 to 72.6% in 2020.

Technical performance

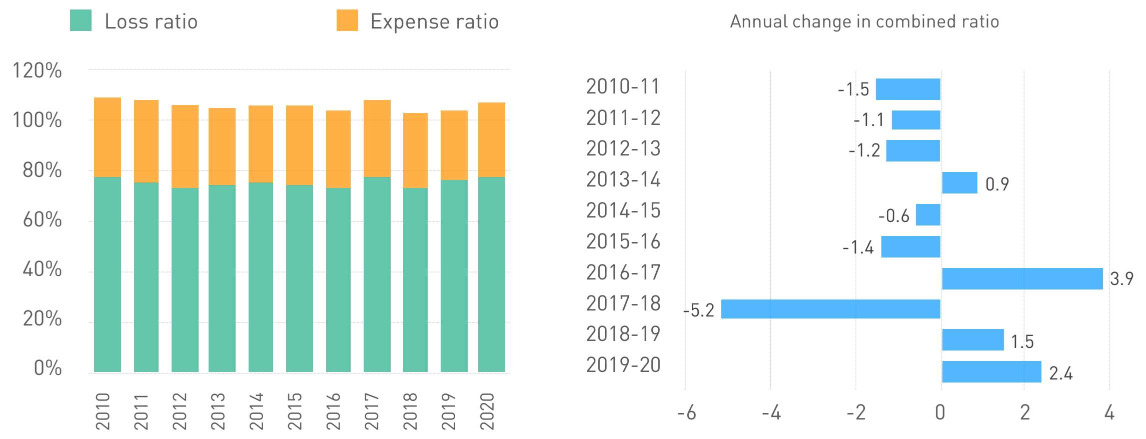
Chart 3.1.1-k shows developments in the Mexican insurance industry's technical performance over the 2010-2020 period. These data show that the total combined ratio (calculated in relation to the net earned premium) stood at 106.73% in 2020, showing a decrease of 2.4 pp compared to the figure reported in 2019 (104.31%).

The change in the 2020 indicator was mainly caused by the effect of the increase in the expense ratio (1.9 pp).

Results and Profitability

The 2020 consolidated net result for the Mexican insurance industry was 49.66 trillion pesos (2.31 billion dollars), 15% less than the previous year, mainly due to the technical result performing worse in the last decade with -27.09 trillion pesos. The loss ratio's downward trend was disrupted in 2017 when it hit its peak (77.3 pp) and stayed stable the last two years averaging around 76.6 pp. The expense ratio has been under 30% since 2018, not large enough to maintain the improvement seen in the combined ratio over the last few years, which hit values reached in 2014. The indicator stayed above 100% in the period analyzed as it is a ratio for the overall market.

Chart 3.1.1-k
Mexico: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

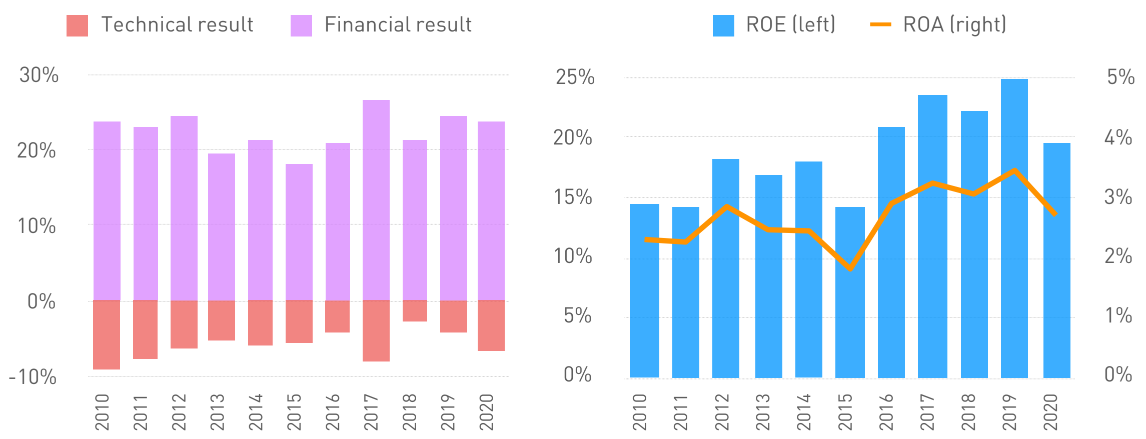
Then financial result (as a percentage of the net earned premium) stood at 23.78% in 2020, i.e., -0.62 pp below the level recorded in the previous year (see Chart 3.1.1-l).

In terms of profitability, return on equity (ROE) was 19.6% in 2020, decreasing -5.1 pp compared to 2019 levels. The same occurred with the return on assets (ROA), which reached 2.7% in 2020, meant a -0.7 pp drop compared to the 2019 value.

Insurance penetration, density, and depth

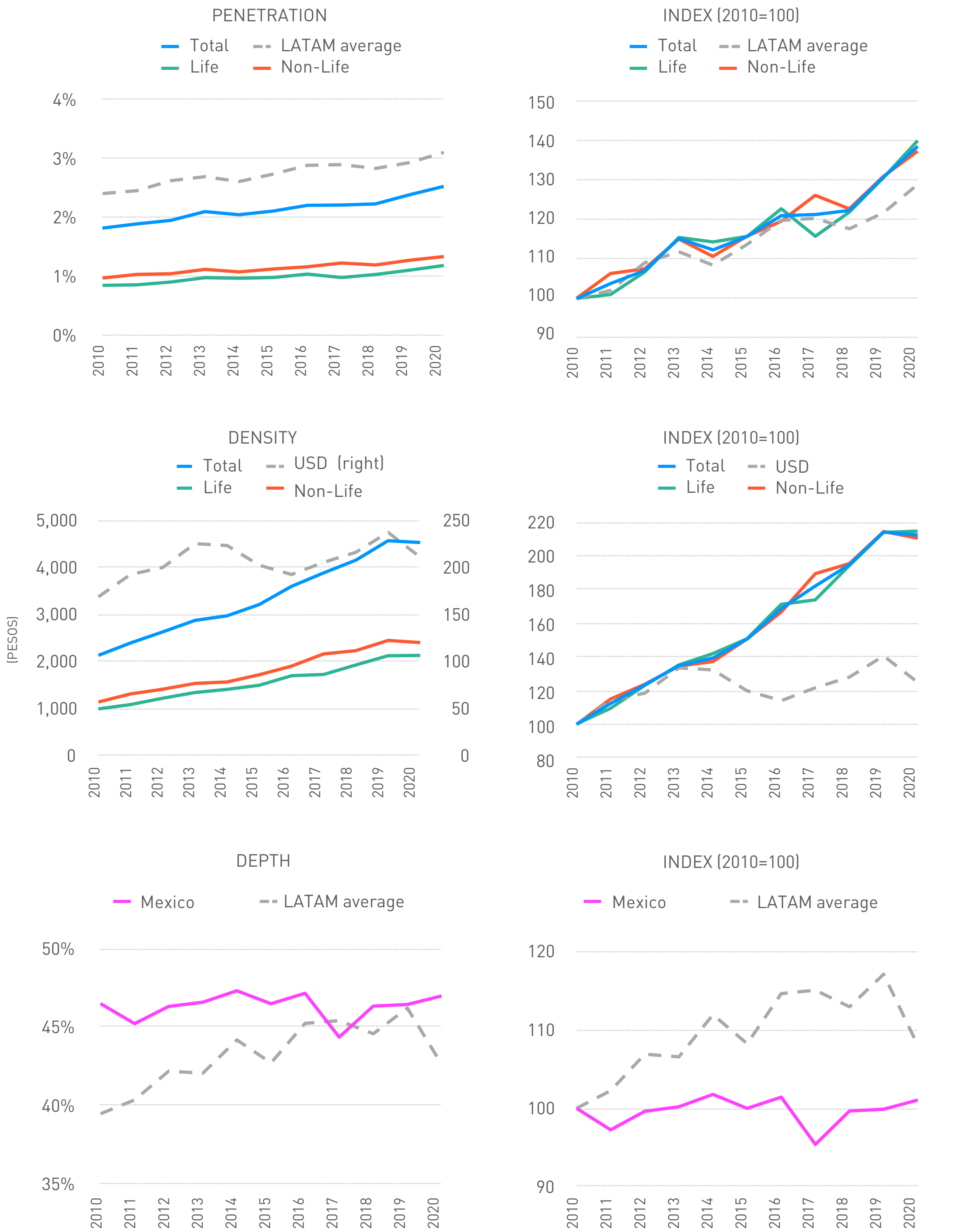
The major structural trends in the development of the insurance industry in Mexico in the 2010-2020 period are shown in Chart 3.1.1-m. First, the penetration rate (premiums/GDP) notably grew 2.5% in 2020, the historical maximum for the country's insurance industry. This increased insurance penetration in the economy was caused by the major Insurance

Chart 3.1.1-l
Mexico: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-m
Mexico: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

contraction of the Mexican GDP as a result of the pandemic, combined with the resistance shown by the insurance industry in this economic landscape. The indicator trended upward in a medium-term analysis over the 2010-2020 period, in line with the general trend seen in Latin America. However, the penetration of the Mexican market still remains below the absolute average level for Latin America (3.1%).

Density levels (premiums per capita) reached 4,526 pesos (211 dollars) in 2020, -0.8% less than the value recorded in 2019 (4,564 pesos). As with penetration, density also shows a growing trend over the last decade, with cumulative growth in local currency of 112.5% over the period analyzed (2010-2020).

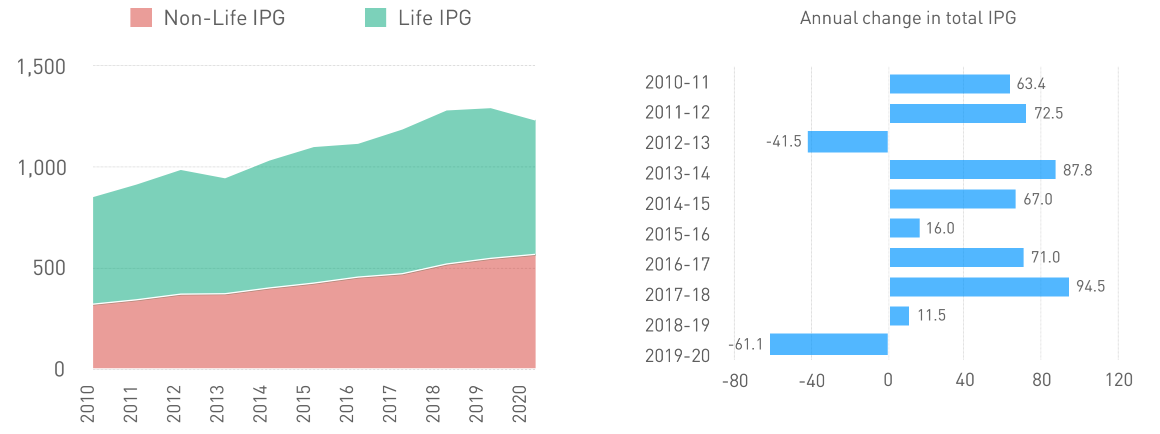
Finally, depth (measured as Life insurance premiums over total premiums for the purposes of this report) was 47% in 2020, up 1.0 pp from 2019 and similar to 2010. As of that year, the spread between the depth of the Mexican insurance market and the average for the insurance markets in Latin America gradually decreased until in 2017, depth in Mexico was below the Latin American average (44% vs. 45%). This trend broke in 2020, however, and the Mexican indicator was 4 pp above the average for the region.

Estimation of the Insurance Protection Gap

Chart 3.1.1-n provides an estimate of the Insurance Protection Gap (IPG) for the Mexican insurance market over the 2010- 2020 period. These data show that the 2020 IPG was 1.24 trillion pesos (57.50 billion dollars), an amount equivalent to 2.1 times the real insurance market at the end of the year. Life insurance is the key segment shaping the structure and performance of the IPG over the last ten years. In 2020, 54% of the IPG corresponded to Life insurance, equivalent to 667 billion pesos. Conversely, the Non-Life insurance gap accounted for 46% of the total gap, amounting to 568 billion pesos.

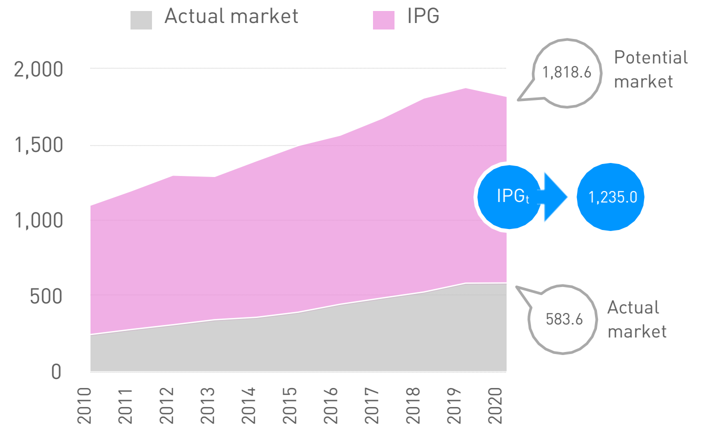
Accordingly, the potential insurance market in Mexico (measured as the sum of the actual insurance market and the IPG) was 1.82 trillion pesos (84.67 billion dollars); 3.1 times the current market in the country, with the gap dropping compared to the previous year, as said ratio was 3.2 times the market in 2019 (see Chart 3.1.1-o).

Chart 3.1.1-n
Mexico: Insurance Protection Gap
(billions of pesos)



Source: MAPFRE Economics

Chart 3.1.1-o
Mexico: Insurance Protection Gap and Potential Market
(billions of pesos)



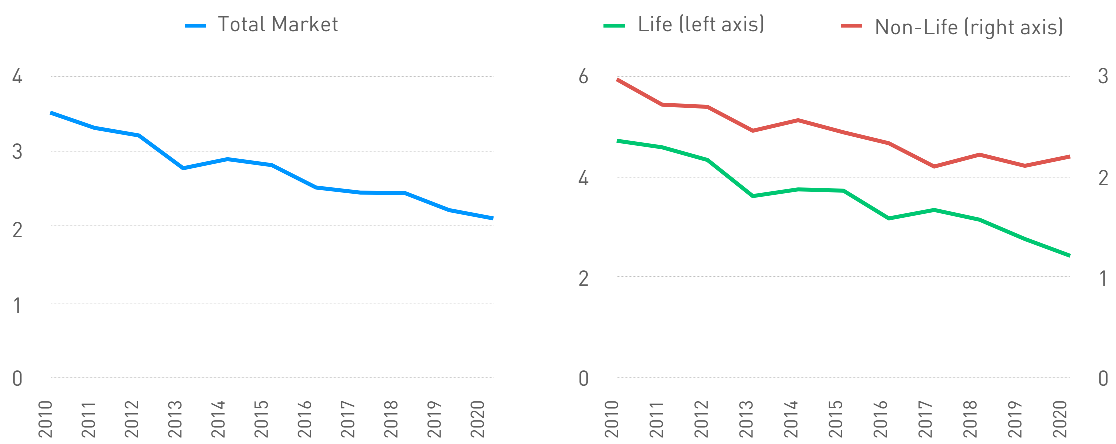
Variation	Actual market	IPG
2020-2010	140.1%	44.6%
2020-2019	0.2%	-4.7%

Source: MAPFRE Economics

Chart 3.1.1-p shows an estimate of the IPG as a multiple of the actual market for each year. This comparison allows a country's insurance gap trends to be determined. In the case of the Mexican insurance market, the IPG as a multiple continued to follow a clear downward trend over the last decade, both when the overall market was analyzed and when the Life and Non-Life segments were analyzed. Thus, while in 2010 the IPG was 3.5 times the size of the actual insurance market in Mexico, in 2020 it had been reduced to 2.1 times. A similar situation arises when the Life and Non-Life segments are analyzed. In the former, the multiple fell from 4.7 to 2.4, while in the latter it fell from 2.5 to 1.8 in that decade.

Chart 3.1.1-q. summarizes changes in the IPG as a multiple of the actual market for the Life segment, Non-Life segment, and the Mexican

Chart 3.1.1-p
Mexico: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)

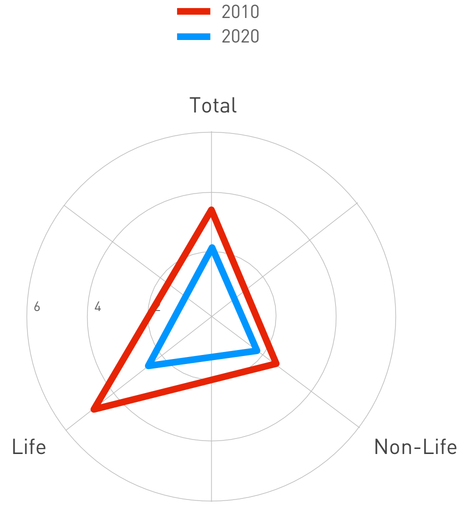


Source: MAPFRE Economics

Insurance market over the last decade, comparing the situation in 2020 to the situation in 2010. According to these data, both the Non-Life business and, to a larger extent, the Life business have clearly improved over the course of the last 10 years.

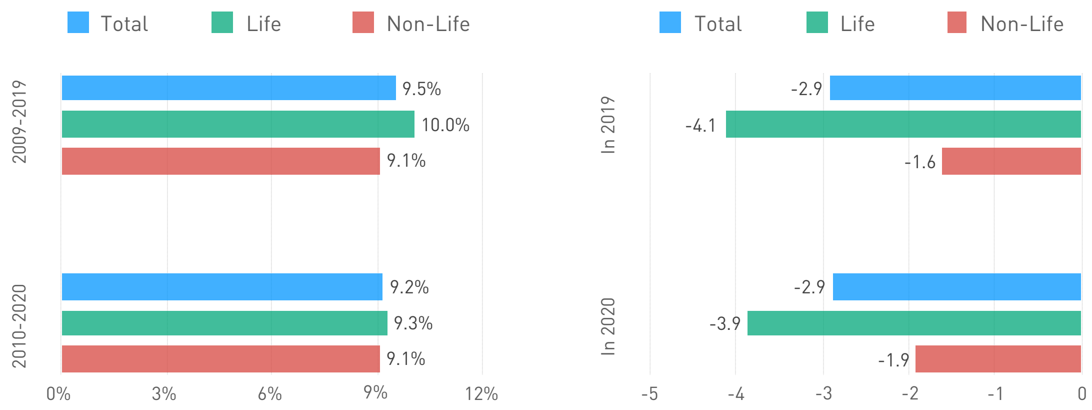
Finally, following the line of analysis used in the most recent Latin American insurance market reports, we performed a comparative analysis on the growth rates observed in the Mexican market over the last 10 years and the growth rates that would be needed to close the 2020 IPG in the next decade. According to said analysis (shown in Chart 3.1.1-r), between 2010 and 2020, the Mexican insurance market recorded an average annual growth rate of 9.2%. This was underpinned by an average growth of 9.3% in the Life insurance segment and of 9.1% in the Non-Life insurance segment. Were the same growth rate to continue over the next ten years, however, the growth rate of the market as a whole would fall 2.9 pp short of the amount needed to close the IPG calculated for 2020. This means that the Mexican insurance market would need to see average growth of 12% over the next 10 years in order to close the IPG calculated for 2020. A similar situation arises when the Life and Non-Life segments are analyzed separately. For the Life segment, the insufficiency is 3.9 pp, while for Non-Life insurance it is only 1.9 pp. Therefore, covering

Chart 3.1.1-q
Mexico: Changes in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.1.1-r
Mexico: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

said gaps would require the Mexican insurance market to grow an average of 13.1% and 11%, respectively, every year over the next 10 years.

Notably, as shown in the above-mentioned chart, said insufficiency to close the gap went down in 2020 compared to the 2019 calculation, due to improvement in the Life segment (-3.9% in 2020, compared to -4.1% in 2019), while insufficiency in the Non-Life segment went up (-1.9 in 2020 vs. -1.6 in 2019).

Market Development Index (MDI)

Chart 3.1.1-s shows an estimate of the Market Development Index (MDI) for the Mexican insurance industry. This indicator is intended to summarize insurance markets' performance and maturity trends.

In the case of the Mexican market, the indicator shows a positive trend over the last decade, although it fell slightly short of the regional average (204.5 vs. 195.1). It should be noted that, except for 2010, 2014, and 2017, the index has shown positive progress over the last decade.

Comparative analysis of structural coefficients

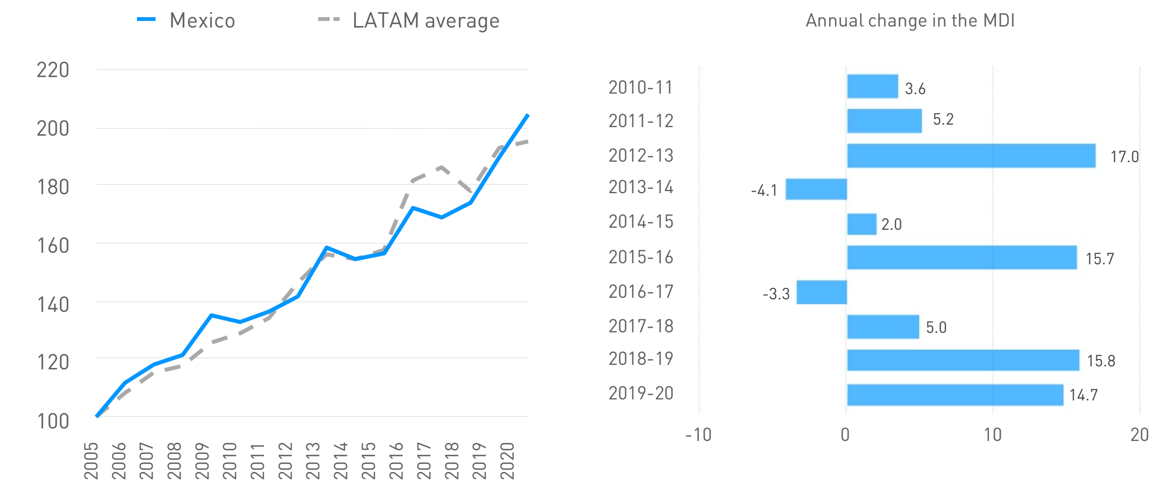
Chart 3.1.1-t summarizes the state of the insurance market in Mexico compared to the average insurance market performance in Latin America using the various structural indicators analyzed (penetration, density, depth, and MDI). We can see from this analysis that, while the depth and MDI of the Mexican market are practically on par with average levels for the wider region, both penetration and, to a lesser extent, density still fall short of the average levels.

Insurance Market Rankings

Overall ranking

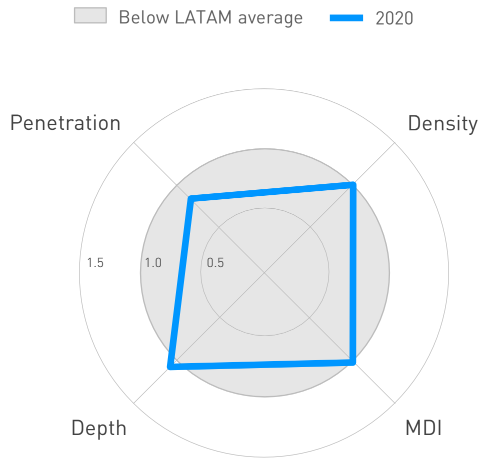
At year end 2020, the insurance and finance market in Mexico was comprised of 112 institutions, 102 insurance institutions and 10 finance. The top five insurers accounted for 42.8% of total premiums, down 0.2 pp from the previous year.

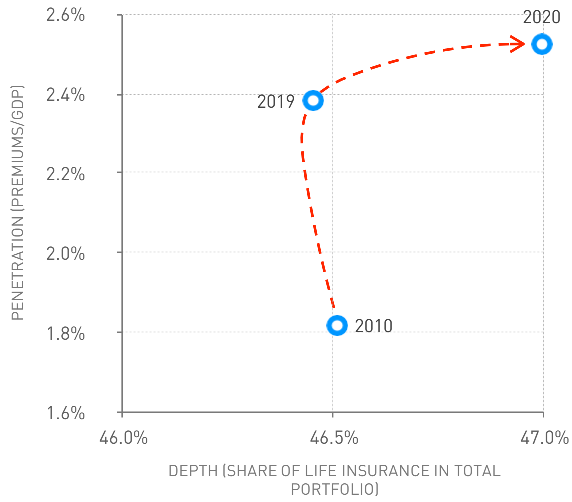
Chart 3.1.1-s
Mexico: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.1.1-t
Mexico: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



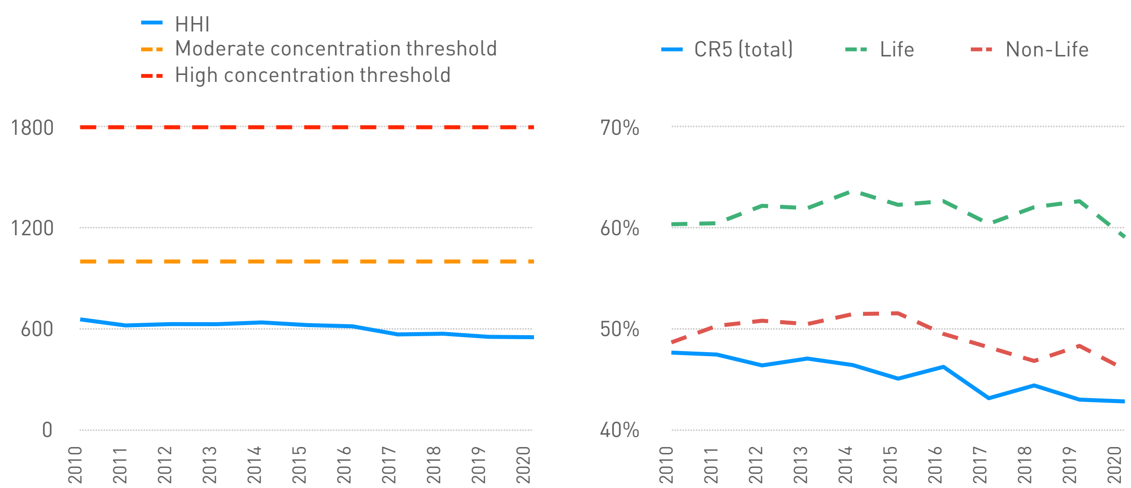


Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

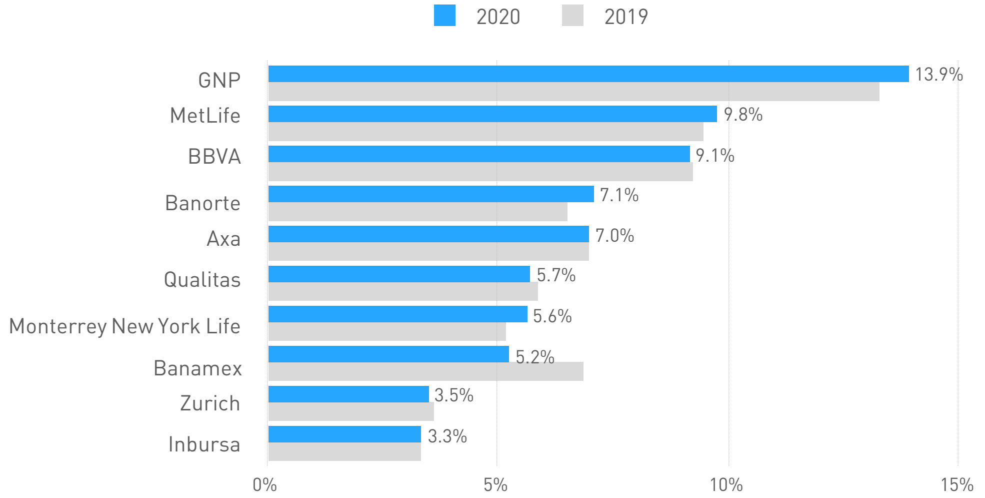
Over the last 10 years, concentration in the Mexican market saw a downward trend (with a differentiation toward stagnation in the Life insurance segment), as shown by the evolution of the CR5 index Overall concentration levels in the Mexican insurance industry measured with the Herfindahl index, however, were below the threshold predicting competition problems (see Chart 3.1.1-u).

Chart 3.1.1-u
Mexico: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-v
Mexico: Overall Ranking
(market share, %)



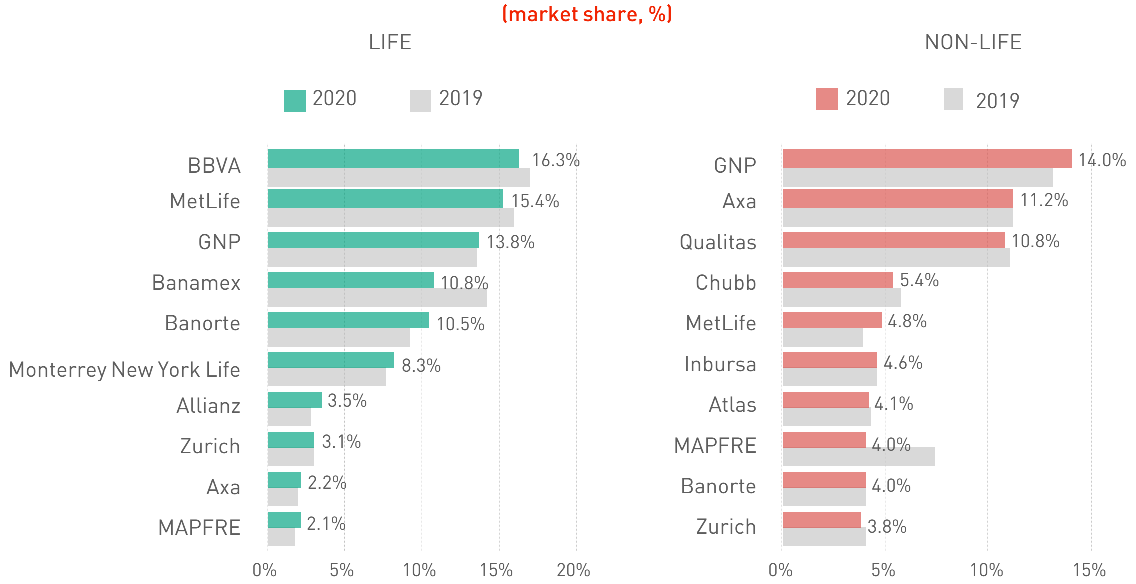
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

In terms of the overall ranking of insurance groups in this market, the four main groups in Mexico were the same in 2020 as the year before: Grupo Nacional Provincial (13.9%), which held the top position: MetLife (9.8%) and BBVA (9.1%). Banorte came in fourth with 7.1%, surpassing Axa, which had 7%. Moreover, only MAPFRE dropped out of the top 10 in 2020, with Inbursa entering (see Chart 3.1.1-v).

Non-Life and Life rankings

At the end of Q4 2020, 13 companies had authorization to exclusively sell Life insurance in the Mexican insurance market, 63 had authorization to sell Non-Life insurance, and 36 had authorization to sell both Life and Non-Life insurance[27].

Chart 3.1.1-w
Mexico: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

The Non-Life ranking was led by Grupo Nacional Provincial, with 14% of all premiums, followed by Axa (11.2%) and Qualitas (10.8%). In the rest of the ranking, Chubb moved up one position and MetLife jumped up five, improving their positions with 5.4% and 4.8% of the market share, respectively. The remaining companies lost ground or maintained their rankings and shares compared to the previous year (see Chart 3.1.1-w). BBVA leads the Life insurance business with a 16.3% market share, followed by MetLife with 15.4%. Grupo Nacional Provincial (13.8%) rose to third over Banamex (10.8%). Banorte and Monterrey New York Life stayed in fifth and sixth place, respectively, while MAPFRE rose to tenth place with a market share of 2.1% (see the above-mentioned Chart 3.1.1-w).

Key Regulatory Aspects

The regulations implemented in 2020 by the National Insurance and Bond Commission to bolster the insurance industry in Mexico included the actions briefly listed below. It is important to note that no adaptations were made to the Insurance and Finance Institutions Act in 2020; however, 18 updates were published in the Unique Insurance and Finance Circular (CUSF) delving further into regulatory aspects at a more operational level to aid their application. The most significant of said modifications are grouped by context below:

- Adaptation of measurement tranche K for the purposes of requiring capital mismatch between assets and liabilities.

- Restructuring of Regulatory Report 8 (statistical data) to have the most relevant statistical data in a structure allowing for better leveraging and analytics.

- Restructuring of Health Insurance Statistics System data.

- Adaptation of accounting procedures of supervised companies, pursuant to the Financial Reporting Standards (FRS) issued by the Mexican Council for Research and Development of Financial Reporting by the Commission in the general provisions.

- Adaptation to indicate that investments in securities made by supervised companies could only be made in cases where the negotiation is authorized on regulated financial markets, under the terms set.

In addition to the above, in 2020 the regulatory authority made progress drafting the following regulations:

- Rights and obligations of the insured party to disclose and make transparent the information contained in the policy in order to improve the insured party's understanding of their covered risks, rights, and obligations.

- Legislation for the regulation and implementation of APIs (application programming interfaces) permitting data queries and usage by technology users.

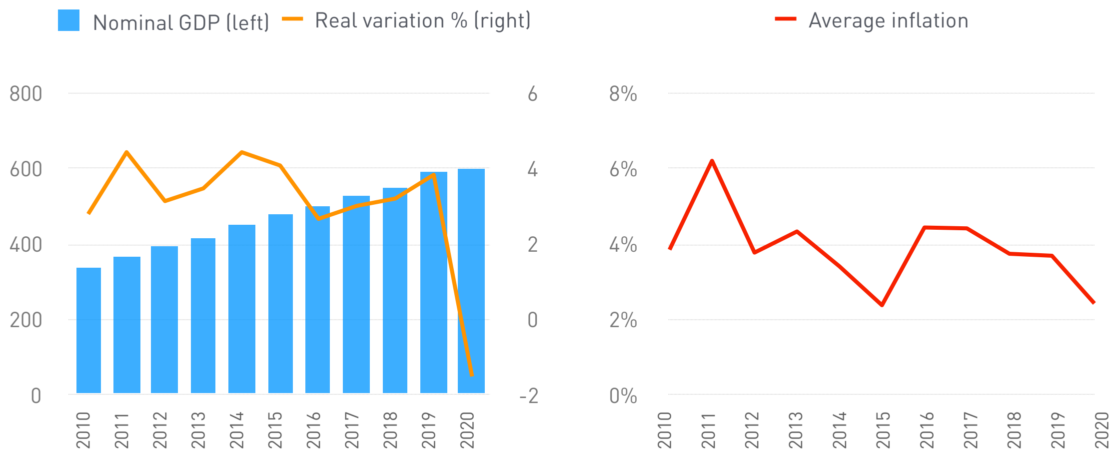
- Provisions relating to cybersecurity to protect cyber-resources and the data of policyholders and institutions, as well as supervising the technical capacity of insurers offering coverage for these risks.

3.1.2 Guatemala

Macroeconomic Environment

The Guatemalan economy suffered a -1.5% contraction in real terms in 2020 as a result of the COVID-19 pandemic, in contrast to its economy's positive performance the previous year, when it grew 3.8% (see Chart 3.1.2-a). While this contraction was significant, it was one of the smallest economic crashes in the region. In response to the situation caused by the pandemic, Guatemala declared a state of public calamity, so that the Bank of Guatemala was able to fund the government by acquiring treasury bonds issued by the Ministry of Public Finance to provide fiscal aid to the most vulnerable populations.

Chart 3.1.2-a
Guatemala: Changes in Economic Growth and Inflation
(GDP in local currency, billions of quetzales; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

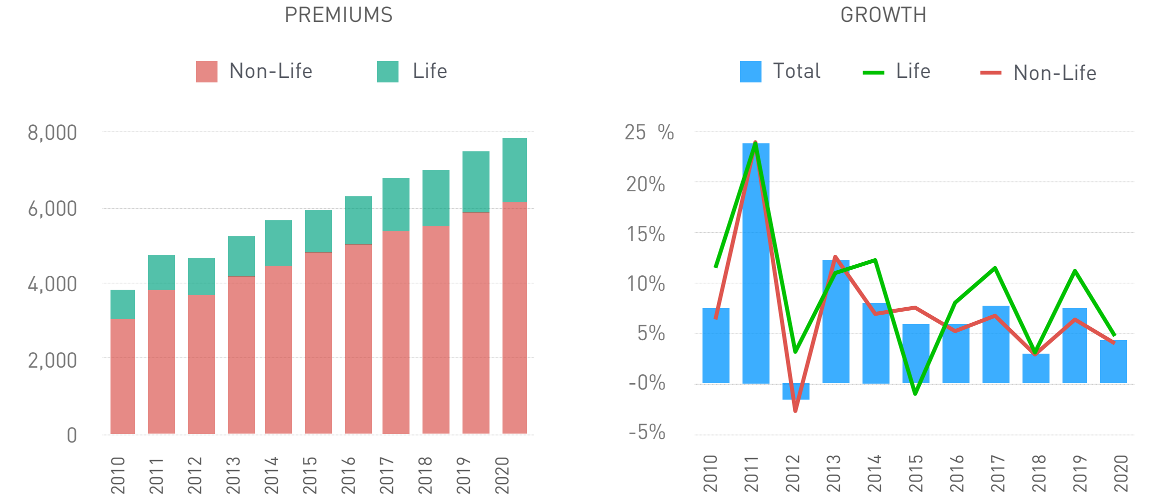
It also took out a number of loans from the World Bank, the Inter-American Development Bank (IDB), and the Central American Bank for Economic Integration (CABEI) totaling 450 million dollars. The International Monetary Fund (IMF) also authorized a 595 million dollar loan with a five-year maturity as budget support. According to information from the Central American Monetary Council, the fiscal deficit of the Guatemalan central government rose to 4.9% of GDP in 2020 (2.2% in 2019) and total public debt reached 31.3% of GDP (27.5% in 2019).

The Bank of Guatemala also applied an extensive package of accommodative measures, reducing the monetary policy rate three times from 2.75% to 1.75%. In the first cut on March 19, it reduced the rate from 2.75% to 2.25%, and in the second on March 25, it dropped the rate another 25 basis points. The central bank has kept the monetary policy interest rate at 1.75% since June 24, 2020. It also applied a number of unconventional measures to boost liquidity and credit including purchasing bonds, buying back securities, increasing the supply of dollars, and issuing a new standard for calculating the reserve.

According to ECLAC observations, as at September 2020, loans from the banking system to the private sector went up in real year-over-year terms by an average of 4.9% (7.3% in the same period of 2019). Inflation in 2020 was 4.8%, up significantly compared to December 2019 (3.4%), though this was within the central bank's target range (between 3% and 5%). The national unemployment rate was 4.7% (2.0% in 2019), while the total number of contributors to the Guatemalan Social Security Institute (IGSS) fell 4.5% in 2020 (compared to 1.9% growth in 2019).

According to ECLAC estimates, Guatemala's GDP in 2021 will grow 4.6%. The central government's deficit will end the year at around 3.5% of GDP, as a result of the gradual recovery of revenue, with a surplus in the current account balance and inflation under control at around 3.8%. This is within the central bank's target range (4%, with one percentage point tolerance margin either way). The unemployment rate is expected to drop in 2021 as vaccination efforts advance and economic activity picks back up.

Chart 3.1.2-b
Guatemala: Growth Developments in the Insurance Market
(premiums, millions of quetzales; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Insurance Market

Growth

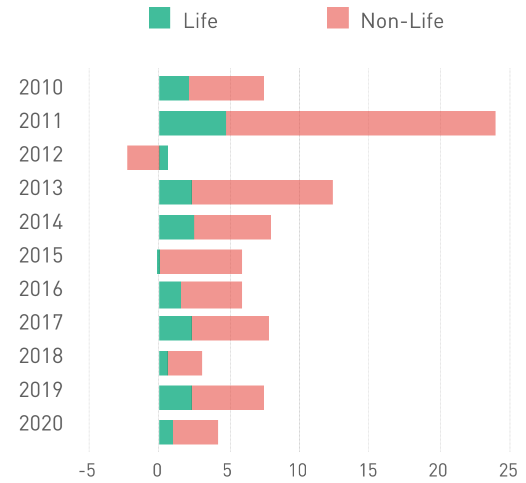
Insurance market premiums in Guatemala amounted to 7.84 billion quetzales (1.02 billion dollars) in 2020, entailing a nominal increase of 4.2% and a real increase of 1.7%. The market is growing at a slower pace than in 2019 when it registered growth of 7.4%. Premiums grew in the Non-Life segment, reaching 6.14 billion quetzales (795 million dollars). It is worth noting that this business is 78.2% of the entire market. When it comes to the two largest lines of

Table 3.1.2
Guatemala: Premium Volume[1] by Line, 2020

Line	Millions of quetzales	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**7,841**	**1,015**	**4.2**	**1.7**
Life	**1,704**	**221**	**4.8**	**2.3**
Popular Life	-0.014	-0.002	-1,500.0	-1,466.7
Individual Life	223	29	2.4	0.0
Group Life	1,478	191	5.5	3.0
Pensions	3	0	-58.2	-59.2
Non-Life	**6,136**	**795**	**4.0**	**1.6**
Health	2,164	280	10.7	8.0
Auto	1,425	185	-3.3	-5.6
Fire and allied lines	486	63	4.0	1.6
Earthquake	540	70	6.5	3.9
Other lines	546	71	1.6	-0.8
Transport	242	31	-0.9	-3.3
Surety	240	31	-6.3	-8.5
Technical risks	180	23	18.7	15.9
Personal accident	197	25	1.6	-0.8
Third-party liability	116	15	4.9	2.4

Source: MAPFRE Economics (based on data from the Superintendency of Banks)
1/ Net direct reinsurance premium

Chart 3.1.2-c
Guatemala: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	7.4	2.2	5.2
2011	24.0	4.7	19.3
2012	-1.5	0.6	-2.2
2013	12.3	2.3	10.1
2014	8.1	2.5	5.6
2015	5.8	-0.2	6.0
2016	5.8	1.6	4.2
2017	7.7	2.3	5.4
2018	3.0	0.7	2.3
2019	7.4	2.3	5.1
2020	4.2	1.0	3.2

Source: MAPFRE Economics (based on data from the Superintendency of Banks)

business (Health and Auto), Health grew 10.7% in nominal terms, while Auto fell -3.3%, entailing 8% growth in real terms for the Health business and a -5.6% drop in real terms for the Auto business. Meanwhile, the Life business grew 4.8% in nominal terms to stand at 1.70 billion quetzales (221 million dollars), 6.5 pp less than in 2019 (see Table 3.1.2 and Chart 3.1.2-b).

As Chart 3.1.2-c shows, the nominal growth of the Guatemalan insurance market was 4.2% in 2020. 3.2 pp was attributable to the Non-Life segment, while the Life segment contributed 1 pp. This maintains the balanced growth trajectory of the previous year, with positive contributions from both insurance lines, albeit at a slower pace than in 2019.

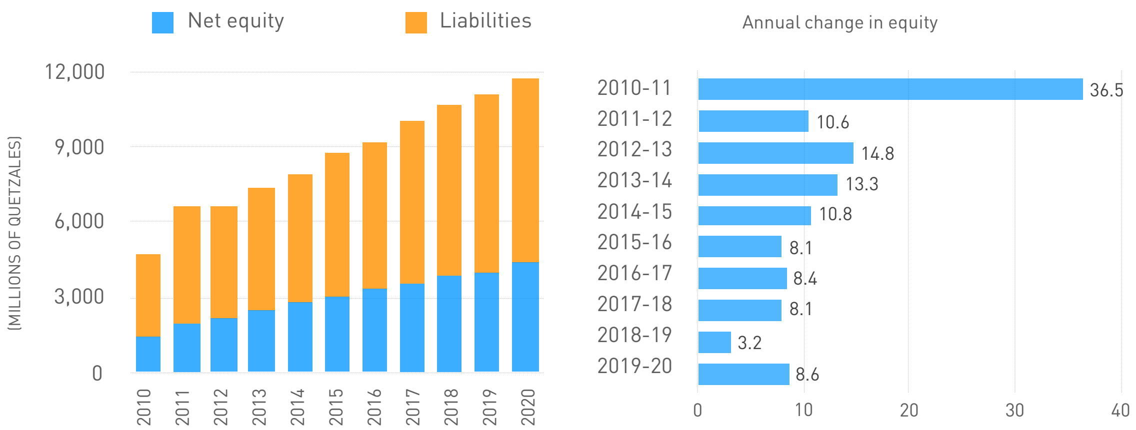
Balance Sheet and Shareholders' Equity

Chart 3.1.2-d shows changes in the size of the aggregate balance sheet for the Guatemalan insurance industry in 2010-2020. These data indicate that total insurance industry assets in Guatemala amounted to 11.72 billion quetzales in 2020 (1.50 billion dollars), while equity was 4.35 billion quetzales (559 million dollars), up 8.6 pp from the previous year. Aggregate capitalization levels for the Guatemalan insurance industry (measured over total assets) averaged 34% over the last decade and were always above 30%, except in 2011. At the end of 2020, this represented 37.14% of the total assets.

Investments

Charts 3.1.2-e, 3.1.2-f, and 3.1.2-g show the evolution of investments in the 2010-2020 period, as well as the composition of the aggregate investment portfolio at the sector level over the course of this period. Investment in 2020 amounted to 7.87 billion quetzales (1.01 billion dollars), focused on fixed-income investments (57.7%). Other financial investments (mainly bank deposits) also had a significant share, accounting for 30.7% of the portfolio. Debt instruments therefore predominated, with aggregate investment nearly residual and identical to the previous year (1.7%) for equity instruments.

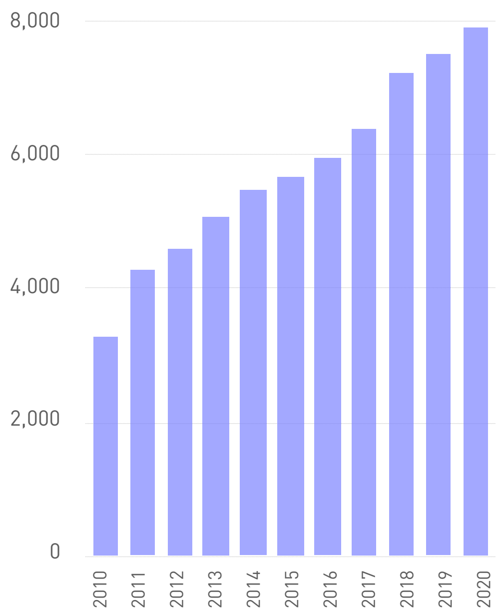
Chart 3.1.2-d
Guatemala: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

The analysis of portfolio performance over the last decade shows a gradual increase in the weight of investments in public fixed income in the 2010-2020 period, climbing from 49.3% in 2010 to 57.7% in 2020.

Chart 3.1.2-e
Guatemala: Insurance Market Investments
(millions of quetzales)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

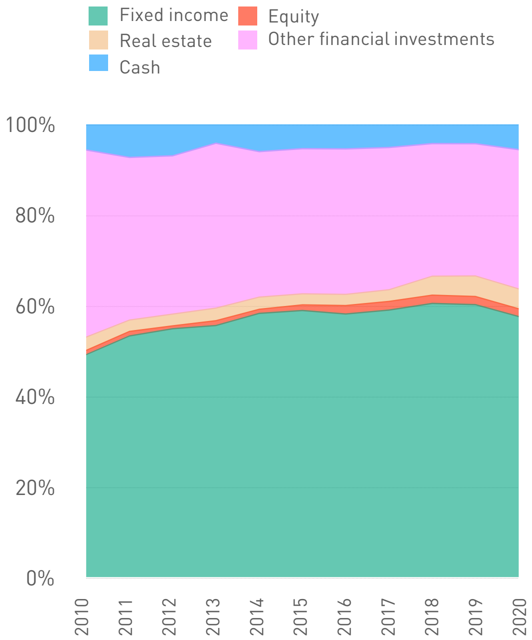
(Charts 3.1.2-f and 3.1.2-g). Other financial investments (mainly bank deposits) accounted for 41.2% in 2010. The trend shifted and gradually fell to 30.7% in late 2020.

Technical provisions

The evolution and relative composition of the Guatemalan insurance industry's technical provisions over the 2010-2020 period are shown in Charts 3.1.2-h, 3.1.2-i, and 3.1.2-j. As can be seen, technical provisions amounted to 5.61 billion quetzales (720 million dollars) in 2020. 36.2% of the total corresponded to technical provisions associated with Life insurance, 26.7% to the provision for unearned premiums and outstanding risks from Non-Life insurance, 32% to the provision for benefits, 5% to the provision for catastrophic risks, and the remaining 0.1% to other technical provisions.

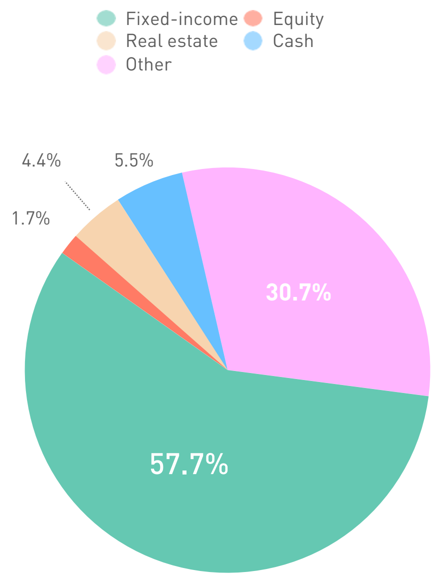
Technical provisions saw sustained growth in absolute terms over the 2010-2020 period, both in Life and Non-Life insurance (interrupted only in 2017). That said, when the share is considered over total technical provisions, the relative share of Life insurance dropped overall in the last decade, significantly in 2011, 2016, and 2020 (Chart 3.1.2-i).

Chart 3.1.2-f
Guatemala: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-g
Guatemala: Structure of Investments, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

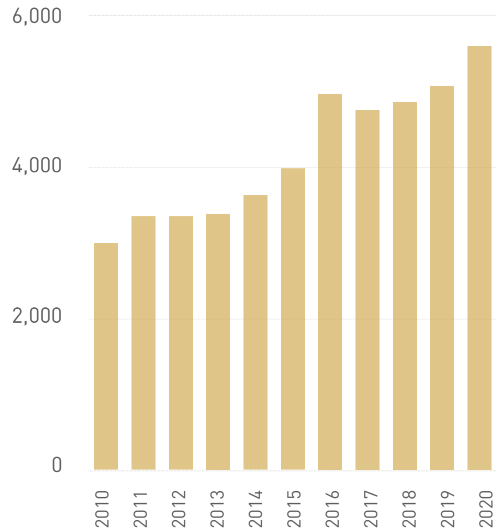
Technical performance

The positive development of technical performance in the Guatemalan insurance industry over the 2010-2020 period is shown in Chart 3.1.2-k. These data show that the combined ratio increased to 85.8% in 2020 (-4.2 pp less than the previous year). This is mainly due to a -4.03 pp fall in the loss ratio and, to a lesser extent, a drop in the expense ratio, which varied -0.21 pp compared to the previous year.

Results and Profitability

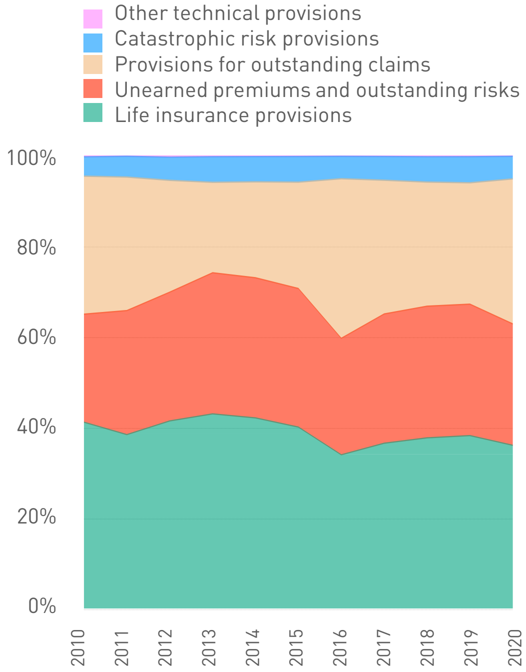
The net result from the insurance business in Guatemala was 1.12 billion quetzales (145 million dollars) in 2020, 18.7% more than the previous year, despite a decreased financial result down -6.6% compared to 2019 (see Chart 3.1.2-l).

Chart 3.1.2-h
Guatemala: Technical Provisions of the Insurance Market
(millions of quetzales)



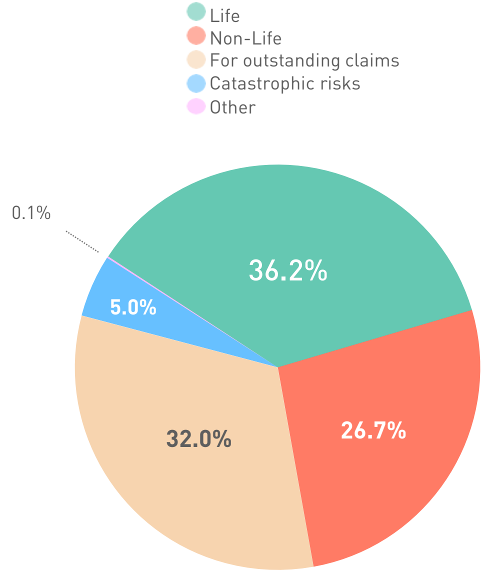
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-l
Guatemala: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

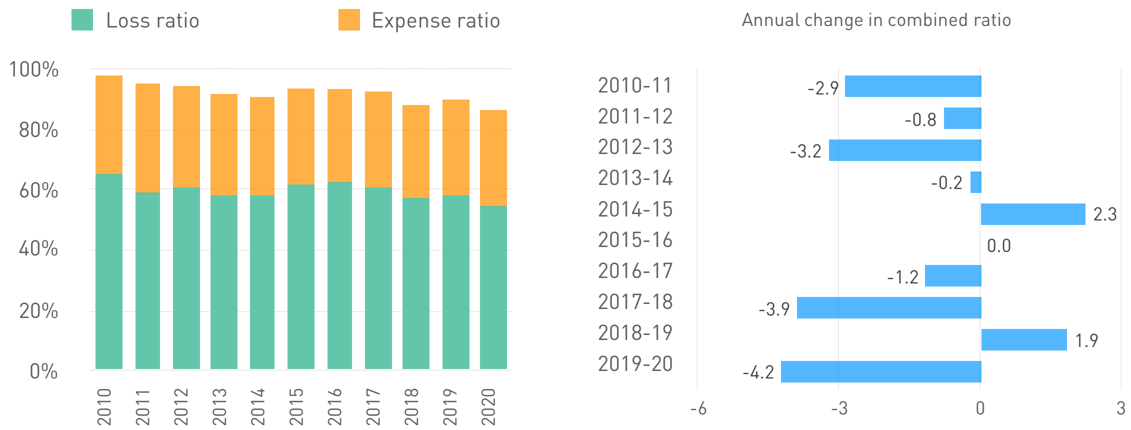
Chart 3.1.2-j
Guatemala: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

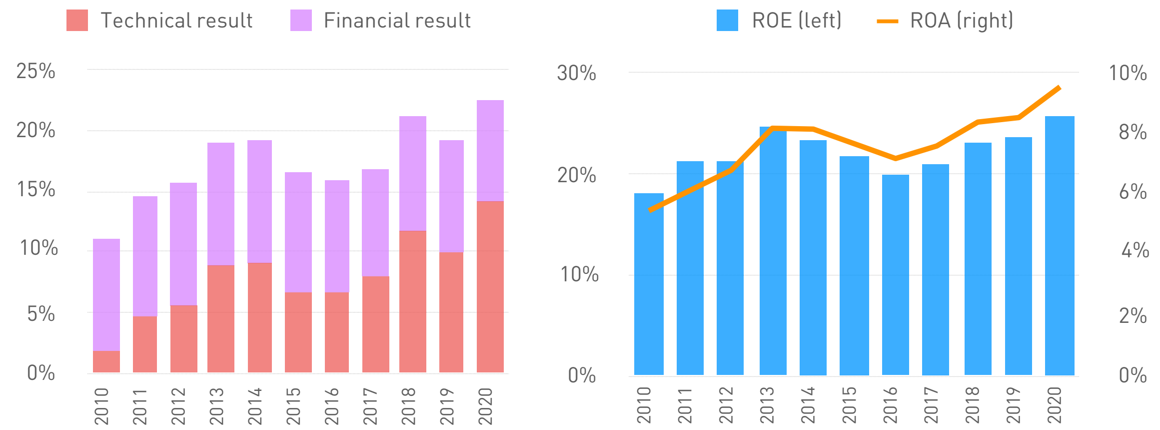
In terms of profitability levels, return on equity (ROE) stood at 25.7%, up 2.2 pp from the figure recorded the previous year. A similar situation results from analyzing the return on assets (ROA), which stood at 9.5%, 1 pp above the 2019 figure, while the financial result on the earned premium remained stable at around 9.5% over the last 10 years (8.4% in 2020).

Chart 3.1.2-k
Guatemala: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-l
Guatemala: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

The technical result over learned premium peaked in this period at 14.2% in 2020.

Insurance penetration, density and depth

Chart 3.1.2-m shows the behavior of the major structural growth indicators for the insurance industry and how they trended over the 2010-2020 period. First, notably, despite the insurance industry's growth rate, the 2020 penetration rate (premiums/GDP) was 1.3%. It is worth highlighting that in the 2010-2020 period, this indicator remained stable, staying far below the Latin American insurance market average, and the trend over the last decade diverged from the other countries in the region where penetration was on average 3.1%.

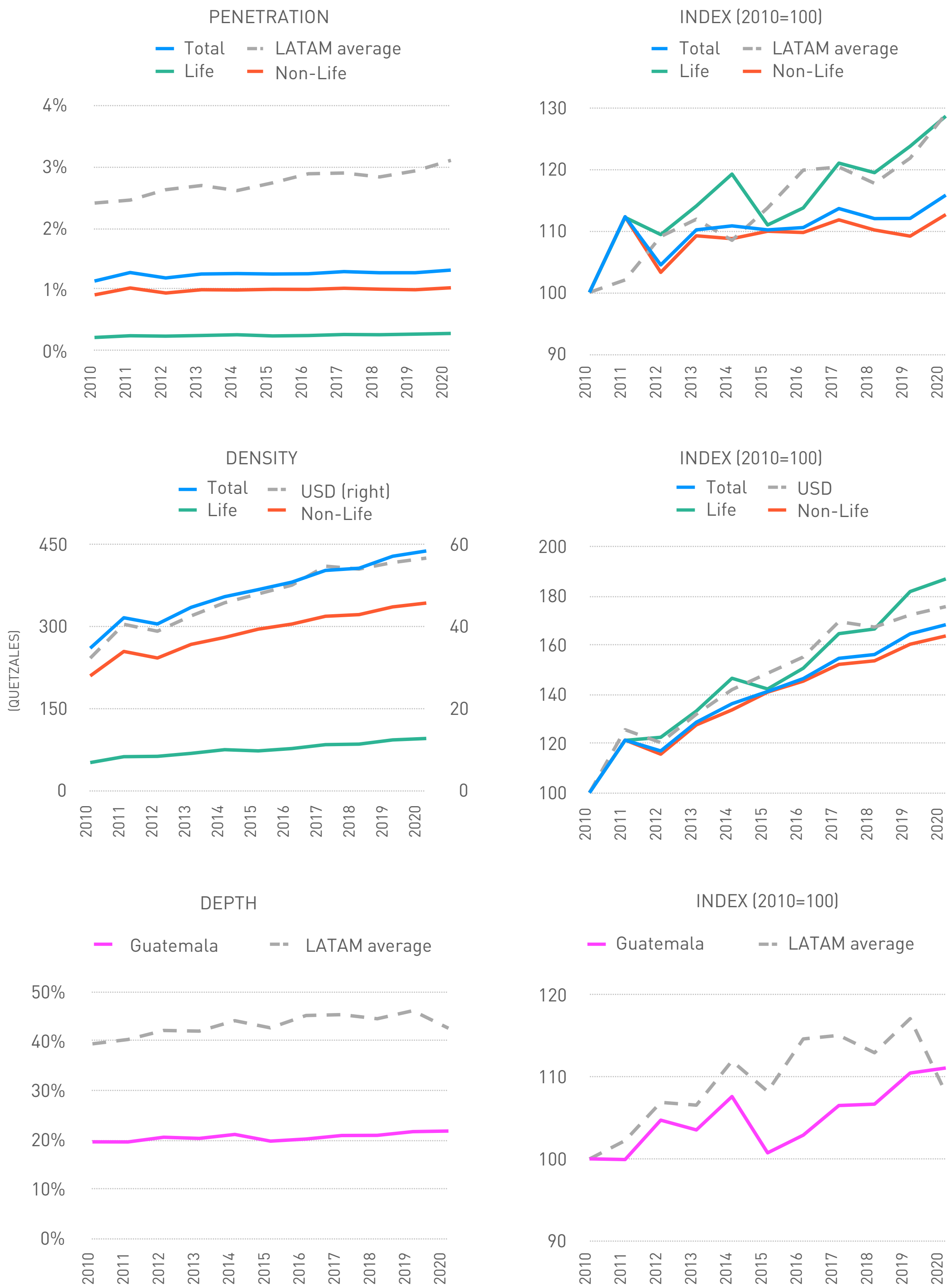
In terms of density levels (premiums per capita), this indicator stood at 438 quetzales (56.70 dollars), up 68.3% from the figure recorded in 2010 (260 quetzales). Unlike of penetration, the density rate followed a growing trend over the course of the last decade, meaning that although per capita insurance purchases went up steadily (a highly significant increase from a relatively small baseline), it did not do so at a speed allowing insurance to achieve greater relative importance among the economic activities in the country.

Finally, the depth (Life insurance premiums over total premiums) indicator was 21.7%, 0.1 pp above the 2019 figure and 2.1 pp above the 2010 figure. As with the penetration rate, the depth level of the Guatemalan insurance market was far below (-20.9 pp) the average for Latin America (42.7%).

Estimation of the Insurance Protection Gap

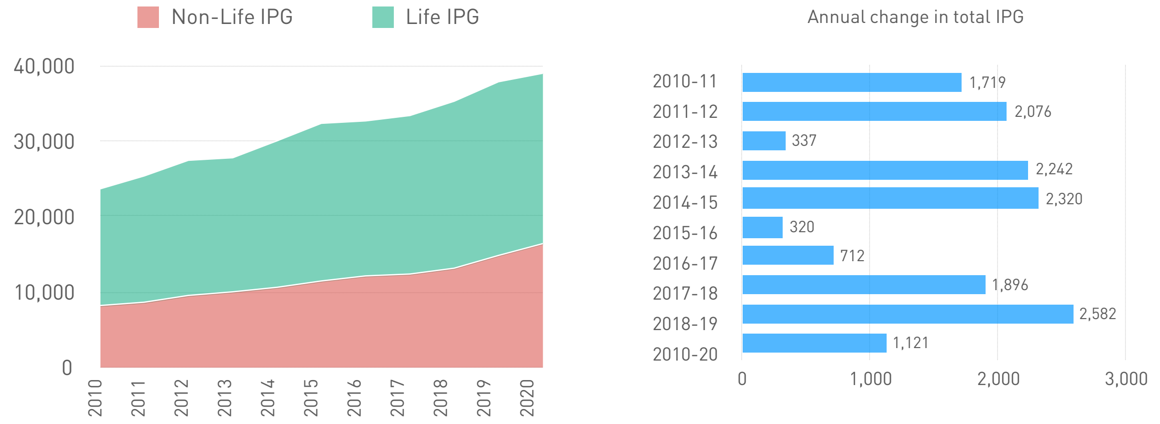
The 2010-2020 IPG estimate for the Guatemalan insurance market is shown in Chart 3.1.2-n. These data show an insurance gap of 38.97 billion quetzales (5.05 billion dollars). As in the majority of Latin American insurance markets, the structure and evolution of the IPG demonstrates the predominance of Life insurance. In 2020, 57.8% of the gap corresponded to Life insurance, (22.53 billion quetzales). Non-Life insurance represented 42.2% of the IPG (16.44 billion quetzales). The potential insurance market in Guatemala in 2020 (measured as the sum of the actual market plus the IPG) stood at 46.81 billion quetzales (6.06 billion dollars); i.e. six times the size of the current market (see Chart 3.1.2-o).

Chart 3.1.2-m
Guatemala: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, quetzales and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-n
Guatemala: Insurance Protection Gap
(millions of quetzales)

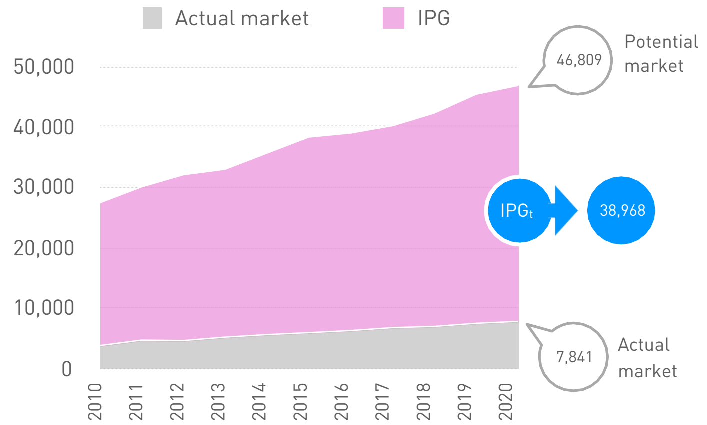


Source: MAPFRE Economics

Additionally, Chart 3.1.2-p shows an estimate of the IPG as a multiple of the actual market in each year of the period under analysis. The insurance gap (measured as a multiple) in the Guatemalan insurance market showed a slight downward trend over the 2010-2020 period, both in terms of the market as a whole and in the Life segment. While in 2010 the IPG was 6.2 times the size of the actual market, by 2020 that weight had fallen to 5 times. The same occurs in the Life segment where the multiple fell from 20.7 to 13.2 times. The Non-Life insurance segment, however, saw relative stagnation; it was the same (2.7) in 2010 and in 2020.

Chart 3.1.2-q summarizes the change in IPG as a multiple of the actual Guatemalan Life segment, Non-Life segment, and insurance market as a whole in the last decade, comparing the situation in 2020 to the one in 2010. This chart shows a mild improvement in terms of the gap as a multiple of the actual market, although mainly in the Life insurance segment.

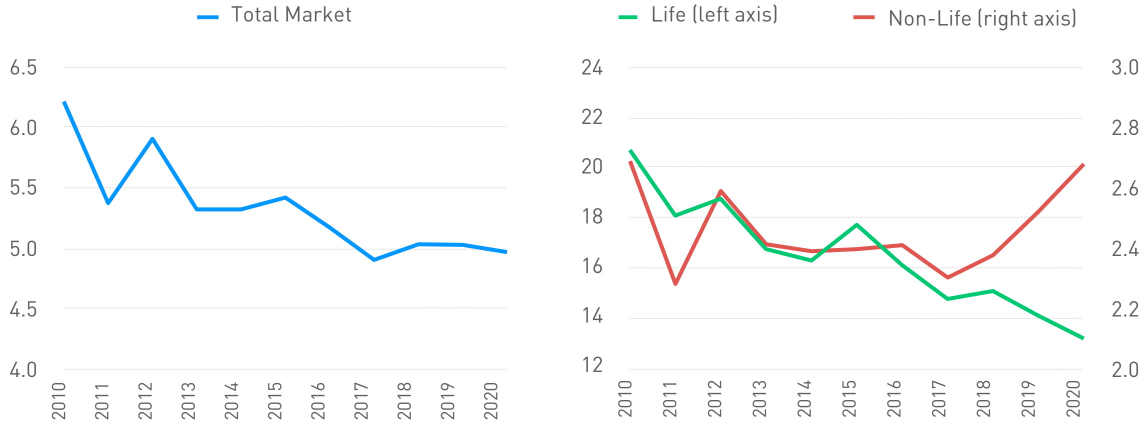
Chart 3.1.2-o
Guatemala: Insurance Protection Gap and Potential Market
(millions of quetzales)



Variation	Actual market	IPG
2020-2010	106.1%	64.8%
2020-2019	4.2%	3.0%

Source: MAPFRE Economics

Chart 3.1.2-p
Guatemala: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)

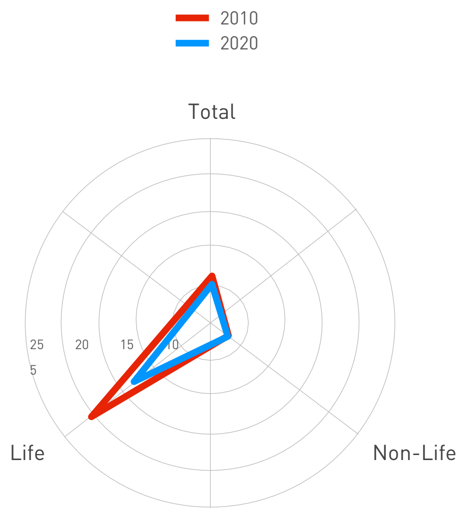


Source: MAPFRE Economics

Lastly, Chart 3.1.2-r summarizes the evaluation of the Guatemalan insurance market's capacity to close the IPG. To this end, a comparative analysis has been carried out between the growth rates recorded in the market over the last 10 years and the growth rates that would be needed to close the IPG calculated in 2020 over the next decade. According to this analysis, the country's insurance market recorded an average annual growth rate of 7.5% over the 2010-2020 period. This was underpinned by an average growth of 8.6% in the Life insurance segment and of 7.2% in the Non-Life insurance segment. Were the same pattern to continue over the next 10 years, the growth rate for the market as a whole would fall 12.1 pp short of the rate needed to cover the gap determined in 2020; i.e., the insurance market would need an average growth rate of 19.6% over the next decade in order to close the IPG estimated in 2020.

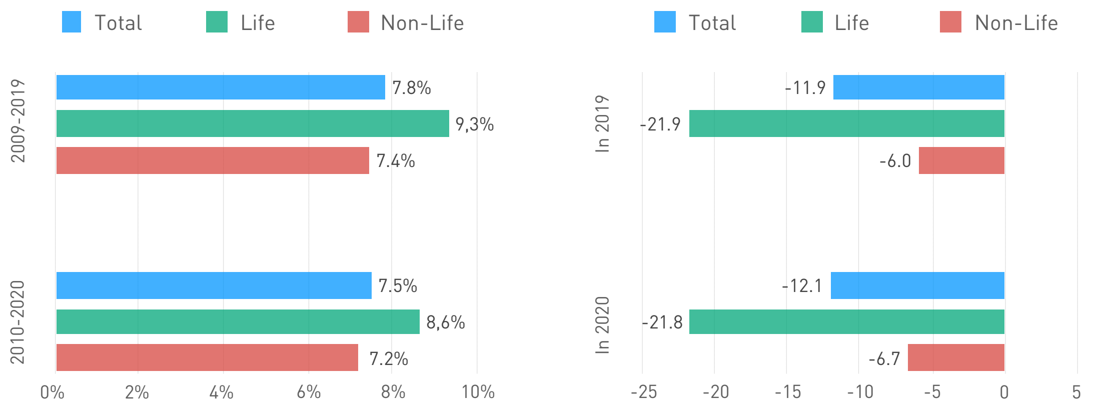
A similar situation emerges when analyzing the Life and Non-Life segments. In the former case, the insufficiency would be 21.8 pp, while for the latter, it would be 6.7 pp. The Guatemalan insurance market would therefore need to achieve an annual average growth of 30.4% and 13.9% respectively over the next decade to bridge these insurance gaps. Notably, the comparative analysis between this financial year compared to 2019 for the insurance market in Guatemala shows that insufficiency for the market as a whole as well as for the Non-Life insurance segment went up slightly.

Chart 3.1.2-q
Guatemala: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.1.2-r
Guatemala: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



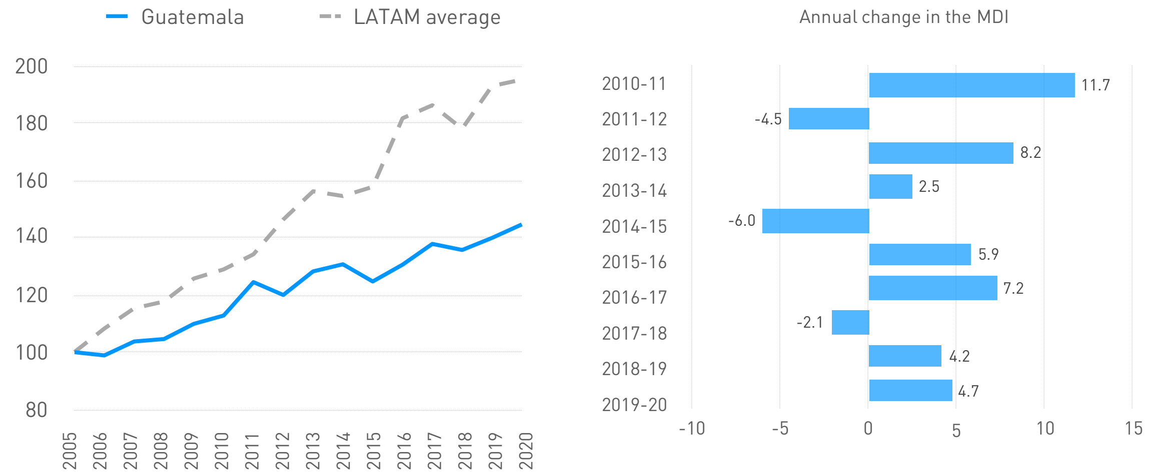
Source: MAPFRE Economics

Market Development Index (MDI)

The update of the estimate of the Market Development Index (MDI) for the Guatemalan insurance industry is shown in Chart 3.1.2-s. In general terms, the indicator continues showing a positive trend with dips in 2012, 2015, and 2018.

However, it should be noted that its level (144.5) stands below the Latin American market average (192.9) and its growing trend stagnated in the 2011-2015 period, though it improved again in the final stretch.

Chart 3.1.2-s
Guatemala: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Conjoint analysis of structural coefficients

Lastly, Chart 3.1.2-t summarizes the Guatemalan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed. The situation for all of them is notably below the average for Latin America, especially in terms of density (216 dollars in premiums per capita in Latin America vs. 56.7 dollars in Guatemala), indicating its still emerging level of development compared to the region as a whole.

Insurance Market Rankings

Overall ranking

At year end 2020, the insurance industry of Guatemala was comprised of 28 insurers; the top five companies (CR5) made up 61.9% of total premiums, 1.2 pp less than in 2019. However, over the course of the last decade, there was a slight decrease in concentration in the Guatemalan insurance market.

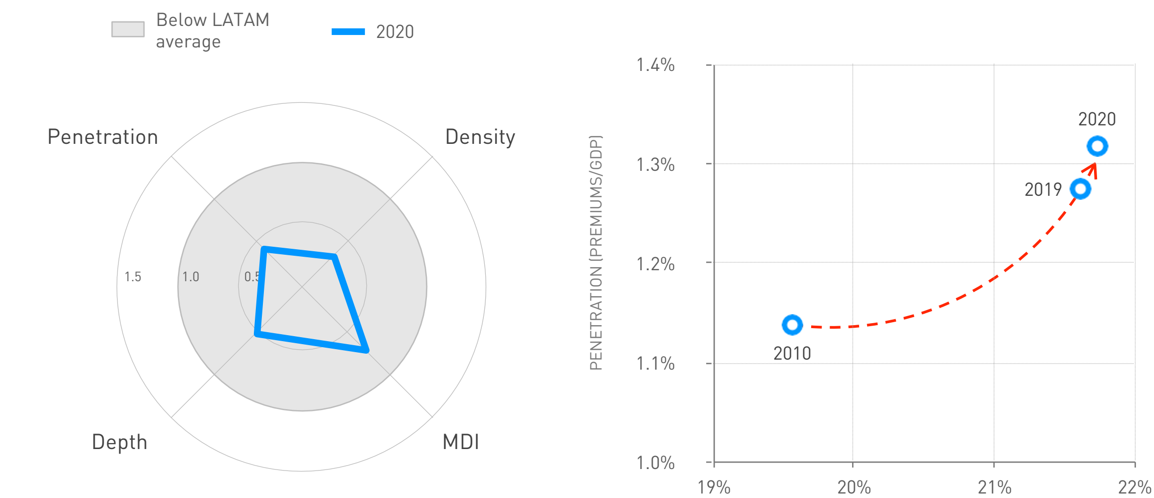
The Herfindahl index shows that insurance industry concentration levels in the country stayed above the theoretical threshold indicating moderate concentration (see Chart 3.1.2-u).

As shown in Chart 3.1.2-v, the two largest insurance groups in the Guatemalan market continue to be El Roble, with 24.5% of market premiums (improving in 2020 by 0.2 pp) and G&T, whose market share fell -0.7% to 15.9%. Somewhat behind them came MAPFRE with a market share of 8.5% (0.4 pp more than in 2019), surpassing Aseguradora General, which fell to fifth place with 7.4%, passed by Aseguradora Rural reaching fourth place with a market share of 7.6%. Finally, Seguros Universales (with a market share of 7.1%) dropped to sixth.

Non-Life and Life rankings

For the Non-Life ranking, El Roble again topped the table with a share of 26.5% of premiums. It was followed by G&T with 18.7%, and MAPFRE, with 8.3% of market share, surpassed Aseguradora General, which fell to fourth with an 8.1% market share and Seguros Universales with 7.5% of the market in fifth.

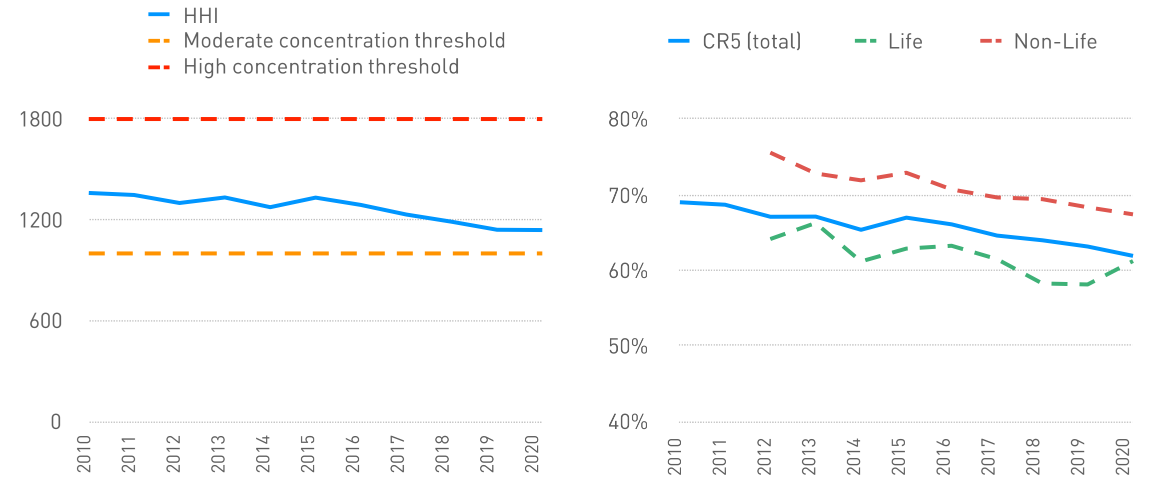
Chart 3.1.2-t
Guatemala: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.2-u
Guatemala: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



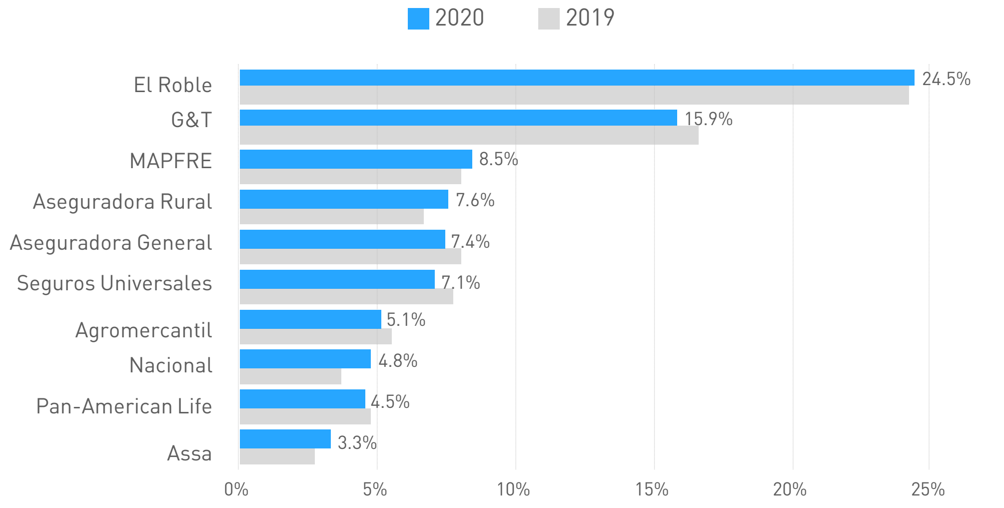
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

In the Life ranking, El Roble dropped to second place with 17.1% of total premiums, with its market share falling -0.3 pp compared to the previous year, while Aseguradora Rural reached first place with 19.8%. MAPFRE secured third place with 8.9% of premiums in this market segment, reducing its market share -0.2 pp compared to the previous year. The other companies on the ranking maintained their position (see Chart 3.1.2-w).

Key Regulatory Aspects

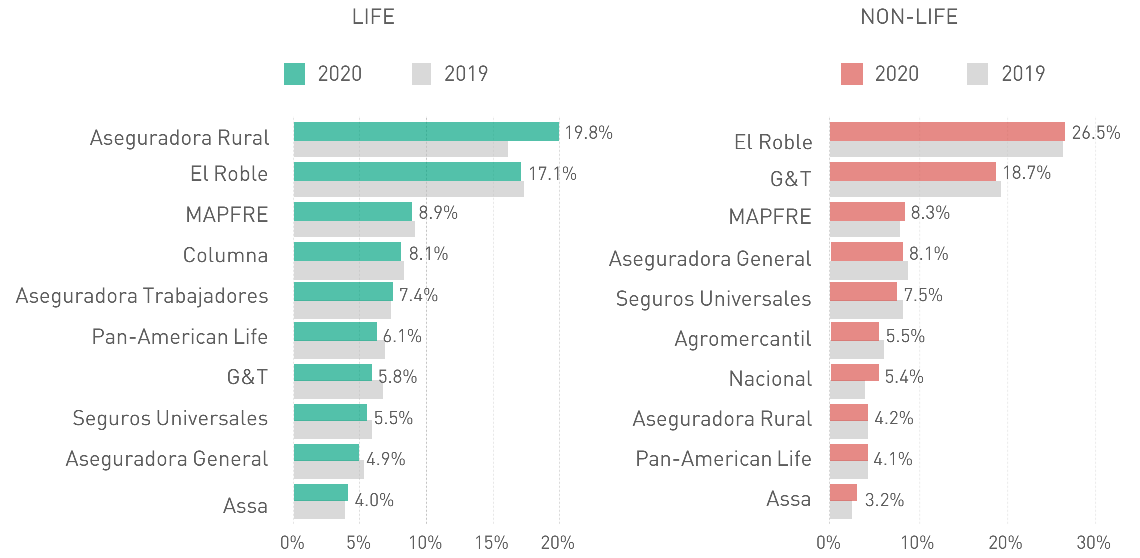
In 2020, the Currency Board issued Resolution JM-105-2020 (Regulation for the Comprehensive Management of Risks for Insurance Companies and Reinsurers), regulating the aspects that insurance companies and reinsurers authorized to operate in Guatemala should monitor for the purposes of risk management.

Chart 3.1.2-v
Guatemala: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-w
Guatemala: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

The regulatory framework issued by the Currency Board contained in said Regulation establishes, among other aspects, the general guidelines for insurance institutions to implement a comprehensive risk management system considering the nature, complexity, and volume of the operations they carry out. To do this, they will have to have basic elements like a strategy, policies, procedures, tools, and information systems for the insurance company's main lines of business and significant activities. The Regulation for the Comprehensive Management of Risks will add value to the services provided by insurance companies and reinsurers and maximize their corporate value, leading to earning profits both for their owners (shareholders) and various stakeholders.

Resolution Number 82-2021 also set the minimum amounts of initial paid-in capital for national insurance companies or reinsurance companies formed or insurance companies or foreign reinsurers setting up within the country to operate exclusively in: a) the life or personal insurance business; b) the casualty insurance business; c) surety insurance; d) all lines of business; and e) reinsurance.

It is worth noting that, pursuant to Article 40 (insurance negotiation) of the Insurance Business Act, the Superintendency of Banks is analyzing a draft Regulation for the Foreign Insurance Company and Insurance Intermediary Register for cross-border insurance operations in Guatemala based on best practices and international standards.

It is also important to mention that via Government Agreement 17-2020 of January 13, 2020, the president issued the Regulation for Taking Out Mandatory Third-Party Liability Insurance for Urban Public Transport of Passengers and Goods, requiring all owners of urban public transport and goods vehicles authorized to drive on public roads to take out and maintain a third-party liability policy to compensate for any death, injury, or damages caused as a result of said transport. Nevertheless, Government Agreements Number 174-2020 and 38-2021 extended the deadline to make the first payment and take out the insurance policy, so it will be mandatory after August 21, 2021.

3.1.3 Honduras

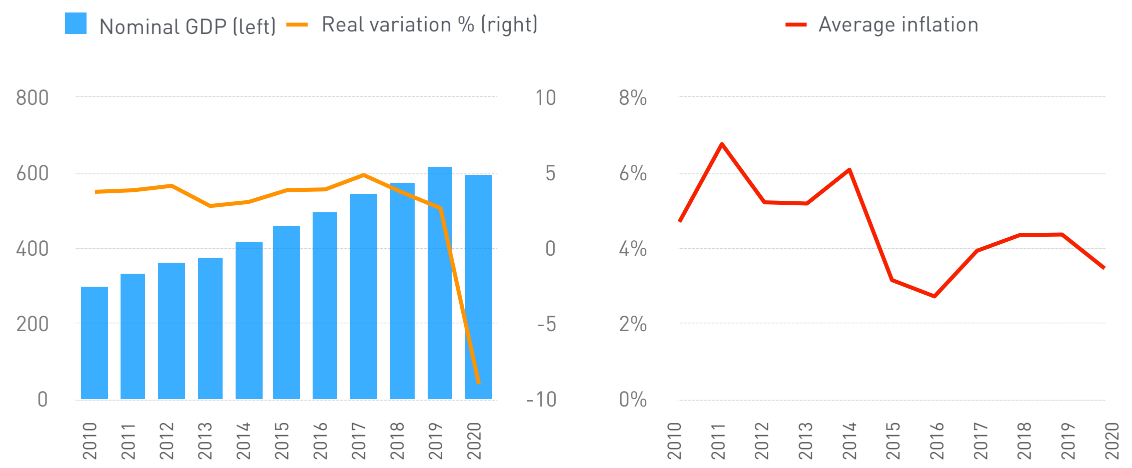
Macroeconomic Environment

In 2020, the economy of Honduras underwent one of the largest contractions in the region, falling 9.0% in real terms, compared to the 2.7% growth the previous year, as a result of the gravity of the effects of the pandemic on its economy (see Chart 3.1.3-a). Internal demand plummeted as a result of falling private consumption and the interruption of investment projects in addition to a drop in foreign demand and the impact of flooding from hurricanes Eta and Iota, which hit the country especially hard. All of this led to a significant number of job losses with the unemployment rate at 10.9% of the workforce (5.7% in 2019).

In this context, the Honduran government had to interrupt the efforts made in previous years to contain public deficit by approving a number of aid measures representing around 1.8% of GDP. This brought the central government's deficit to 6.9% of the GDP by year end 2020 (compared to 2.5% in 2019), due to reduced tax revenue and increased current expenditures. Public debt totaled 54.9% of GDP at year end 2020 (43.9% in 2019), as per data published by the Central American Monetary Council. In terms of foreign industry, the major drop in imports combined with increased remittances brought the balance of payments current account to a surplus of around 2.9% of GDP at year end 2020 (compared to the deficit of 2.4% in 2019).

In addition to the fiscal stimulus, the monetary policy applied by the central bank had an expansionary bend in 2020, cutting the interest rate on four occasions down to 3.0% (from 5.5% at the beginning of the year). Guarantee funds were created to issue loans to the agriculture and corporate sectors. With these funds, the government guaranteed between 65% and 90% of the credit amount issued by financial institutions, according to ECLAC data. Average inflation stood at 4% in 2020 (compared to 4.1% in 2019), within the central bank's target range (between 3.0% and 5.0%) and the lempira only depreciated slightly vs. the dollar (0.3%).

Chart 3.1.3-a
Honduras: Changes in Economic Growth and Inflation
(GDP in local currency, billions of lempiras; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

ECLAC forecasts that Honduras' GDP could partially recover in 2021 with growth around 5%, aided by the recovery of the United States, its primary trading partner and source of a significant portion of remittances. In the first half of 2021, the interest rate was maintained at 3%. The average nominal exchange rate in May also appreciated 0.6% vs. December 2020.

Insurance Market

Growth

The premium volume of the Honduran insurance market amounted to 11.57 billion lempiras (469 million dollars) in 2020. This change represents 2.9% growth in nominal terms and -0.6% in real terms compared to the data from the previous year (see Table 3.1.3 and Chart 3.1.3-b).

The resistance shown by the Honduran insurance market in the face of the complex economic environment caused by the pandemic is worth noting. It was undoubtedly aided by the packages of fiscal and monetary measures implemented. The insurance industry grew more than the previous year, when premiums grew 0.8% in nominal terms. Specifically, Life insurance premiums grew 3% in 2020 (compared to the significant growth of 6.2% in 2019), reaching 3.96 billion lempiras (161 million dollars). Meanwhile, Non-Life insurance premiums were up 2.9% (versus -1.8% in 2019), reaching 7.61 billion lempiras (309 million dollars). Notably, two of the three most important Non-Life modalities saw positive nominal growth. Fire grew 4.8% and Health grew 2.8%, while Auto, more affected by the crisis, shrank -3.5%.

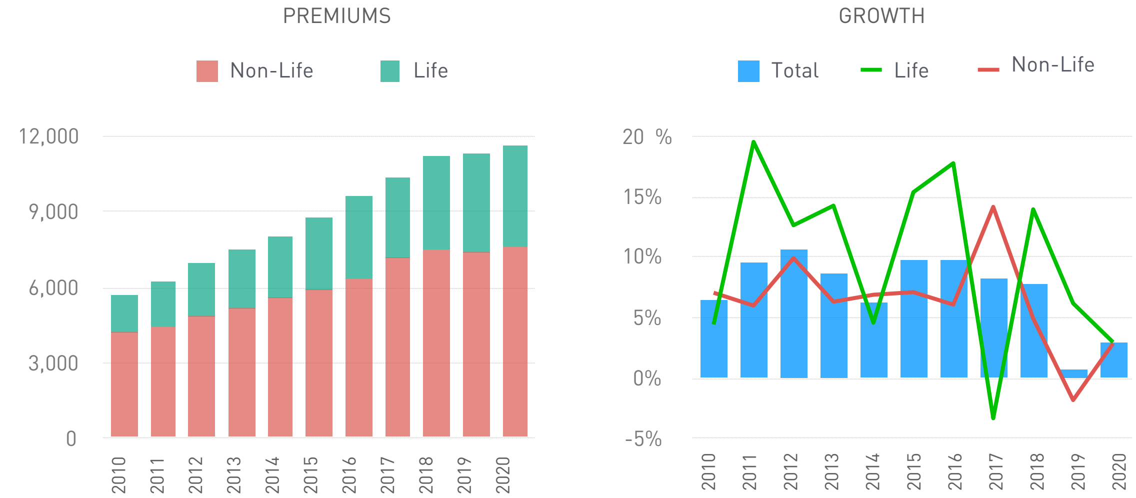
Accordingly, Life insurance contributed a positive 1 pp to the overall growth of 2.9% registered in the Honduran insurance market, while Non-Life insurance contributed 1.9 pp (see Chart 3.1.3-c).

Table 3.1.3
Honduras: Premium Volume[1] by Line, 2020

Line	Millions of lempiras	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**11,569**	**469**	**2.9**	**-0.6**
Life	**3,959**	**161**	**3.0**	**-0.5**
Non-Life	**7,610**	**309**	**2.9**	**-0.6**
Fire and allied lines	2,314	94	4.8	1.3
Auto	1,556	63	-3.5	-6.7
Health	2,165	88	2.8	-0.6
Other lines	629	26	11.3	7.6
Transport	255	10	-3.8	-7.1
Surety	137	6	-15.8	-18.6
Personal accident	327	13	-12.2	-15.1
Third-party liability	220	9	120.9	113.5
Occupational risks	6	0	-33.7	-35.9

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)
1/ Premiums net of returns and cancellations

Chart 3.1.3-b
Honduras: growth developments in the insurance market
(premiums, millions of lempiras; annual nominal growth rates, %)

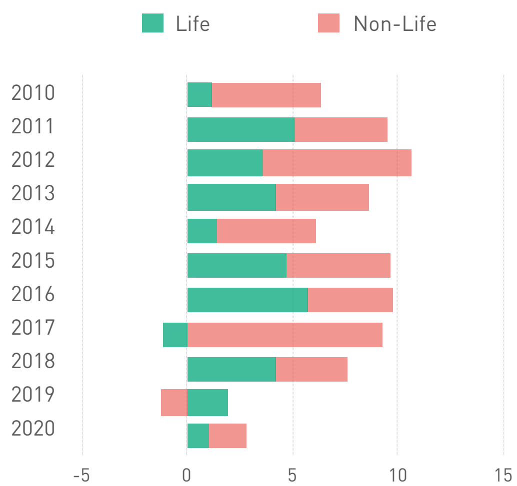


Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Balance Sheet and Shareholders' Equity

Chart 3.1.3-d shows developments in the aggregate balance sheet of the Honduran insurance industry over the 2010-2020 period. These data show that the industry's total assets rose to 25.16 billion lempiras (1.04 billion dollars), while equity stood at 6.45 billion lempiras (269 million dollars), showing a growth trend interrupted only in 2013 and 2018. The aggregate capitalization levels of the Honduran insurance industry (measured in relation to total assets) are significant, at around 39% in average in the 2010-2014

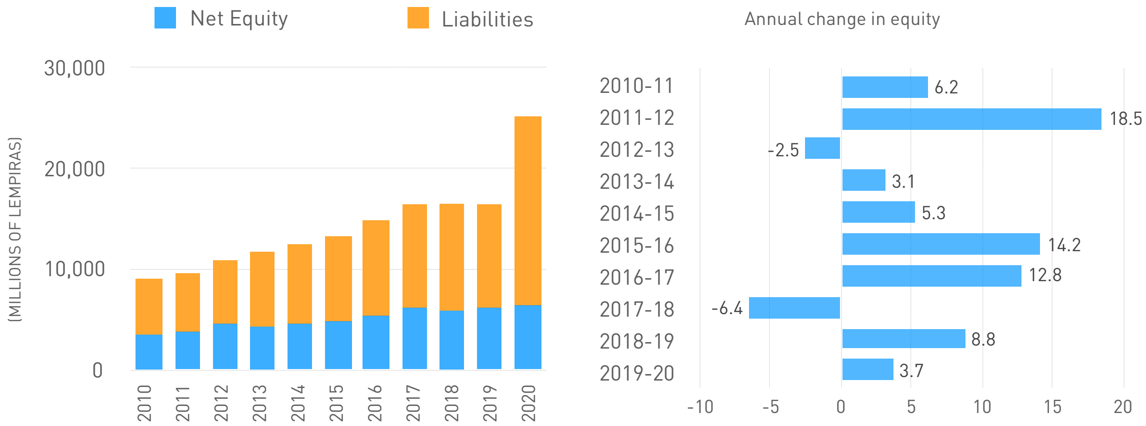
Chart 3.1.3-c
Honduras: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	6.3	1.2	5.1
2011	9.6	5.2	4.4
2012	10.7	3.6	7.0
2013	8.6	4.2	4.5
2014	6.2	1.4	4.8
2015	9.6	4.7	4.9
2016	9.8	5.7	4.1
2017	8.1	-1.1	9.3
2018	7.7	4.3	3.4
2019	0.8	2.0	-1.2
2020	2.9	1.0	1.9

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-d
Honduras: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

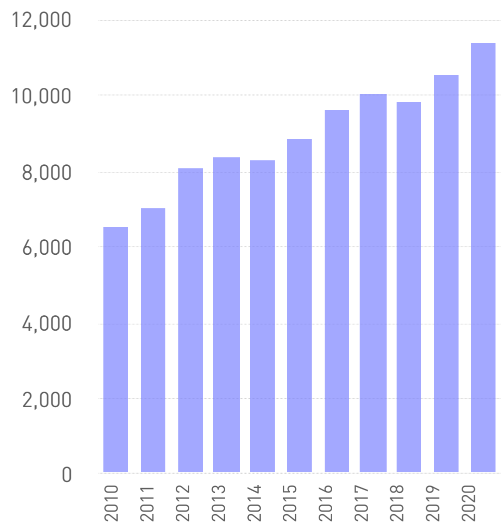
period. From then on it stagnated at an average around 36% of total assets, reaching 25.8% by 2020, dropping 12.3 pp due to the increase in total assets, which rose from 16.42 billion in 2019 to 25.16 billion the last year. With a more detailed analysis, the Asset item "Debts owed by Reinsurers and Guarantors" rose by virtually 7.54 billion lempiras, explaining this deviation in total assets while the offsetting "Claims Reserve" liability reflected this as it caused provisions to double from one year to the next as discussed in the section below.

Investments

Chart 3.1.3-e shows developments in the Honduran insurance industry's investment over the 2010-2020 period, while Charts 3.1.3-f and 3.1.3-g show the composition of the aggregate sector-level investment portfolio over that period and also in 2020. These data show that investments made by insurance companies operating in the Honduran market amounted to 11.42 billion lempiras (473 million dollars), with 82.3% of the total focused on debt and equity instruments, 12.1% on cash and cash equivalents, 1.7% in property and the remaining 3.9% in other financial investments.

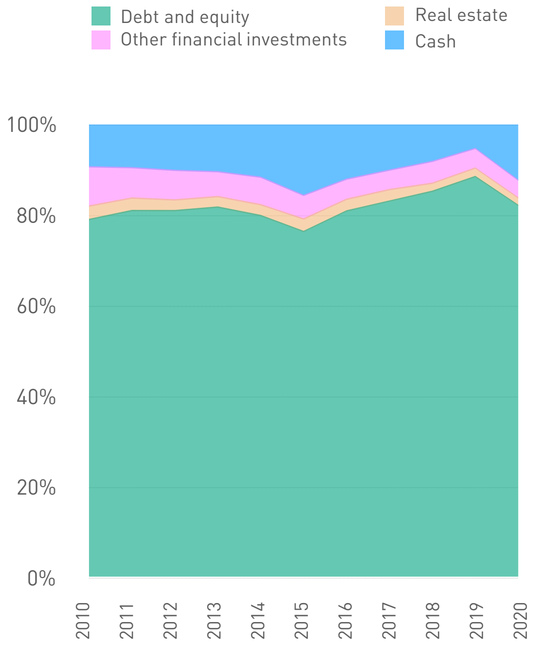
Notably, investments in cash and cash equivalents over the analyzed period followed an upward trend, which reverted after 2015, but returned to 2016 levels in 2020.

Chart 3.1.3-e
Honduras: Insurance Market Investments
(millions of lempiras)



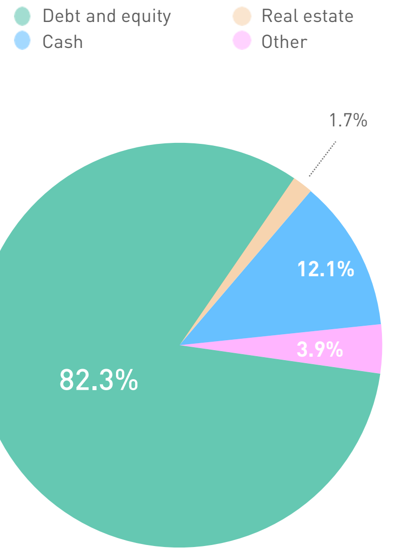
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-f
Honduras: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-g
Honduras: Structure of Investments, 2020
(%)



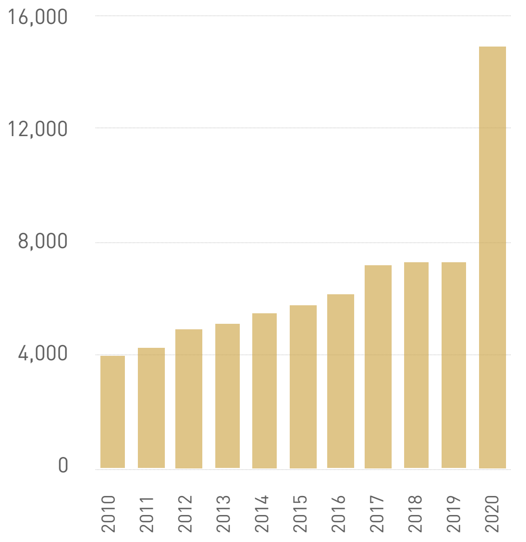
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

In general terms, there was a general upward trend in interests in investments in debt and equity (which seemed to have stagnated from 2014 on), obtaining their highest value of the last decade in 2019 before falling again in 2020. The growth in investments in cash and cash equivalents over the course of the period is also notable.

Technical provisions

Chart 3.1.3-h shows changes in technical provisions in the Honduran insurance industry over the 2010-2020 period. It's important to note that the growth of this technical liability in 2020 is explained by the gross amount of reinsurance, which in turn reflects the growth of the above-mentioned "Debt Owed by Reinsurers and Guarantors" line item on the balance sheet[28].

Chart 3.1.3-h
Honduras: Technical Provisions of the Insurance Market
(millions of lempiras)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Conducting a more detailed analysis of the composition of technical provisions at a sector level was not possible with the data available. Nevertheless, the 2010-2020 period saw sustained growth of these provisions in the aggregate in absolute terms, with the only exceptions being 2010 when they slightly fell and a slowdown in 2019, although they grew starkly up to 14.91 billion lempiras (617 million dollars) in 2020, as described in the paragraph above.

Technical performance

Chart 3.1.3-i shows the technical performance of the Honduran insurance industry over the 2010-2020 period, based on an analysis of the market's combined ratio. The data show that in 2020 the technical coefficient was 85.5%, 0.98 pp above the level reached in 2019 (84.6%). The expense ratio worsened to 41.5%, up 3 pp from the previous year. The loss ratio fell to 44.03%, 2 pp less than in 2020, preventing the combined ratio from worsening more than 1 pp compared to 2019.

Results and Profitability

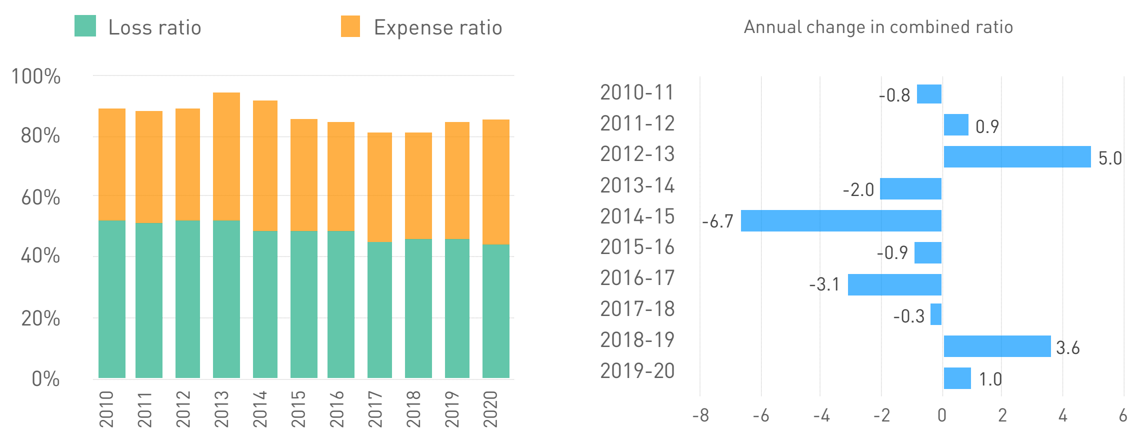
The net result for the Honduran insurance industry was 1.20 billion lempiras (48.58 million dollars) in 2020, -7.6% less than the previous year. It is worth noting that the net result obtained by the insurance industry in Honduras in 2020 was connected to both a decrease in the industry's financial result, which fell to 658.1 million lempiras (26.7 million dollars), as well as a decrease of the technical result, which fell to 804.5 million lempiras (32.6 million dollars).

In terms of profitability, return on equity (ROE) was 18.4% in 2020, falling -2.3 pp compared to 2019 mostly due to the lower results discussed above. In a similar vein, return on assets (ROA) amounted to 4.8% in 2020, down -3.1 pp from the value reported in 2019 (see Chart 3.1.3-j).

Insurance penetration, density and depth

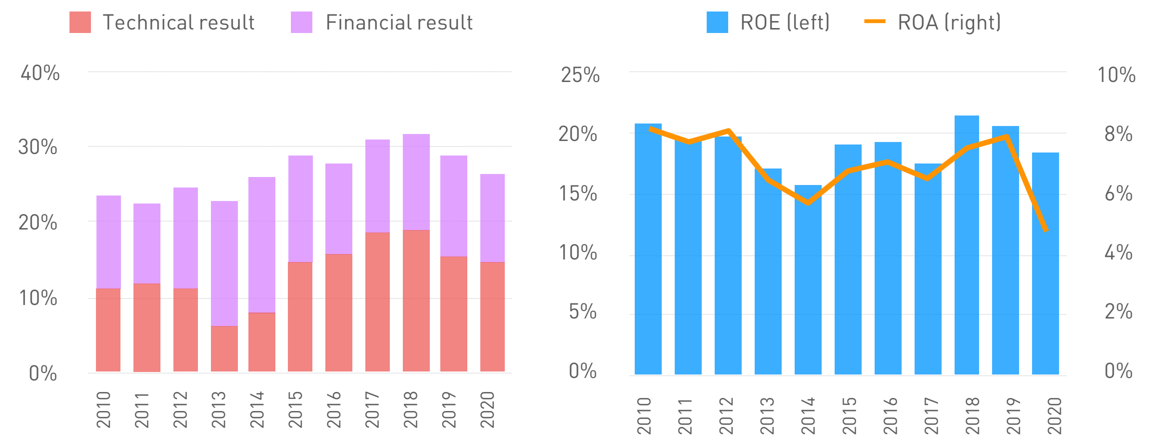
Chart 3.1.3-k shows the main structural trends shaping the development of the Honduran insurance market over the 2010-2020 period. First, the penetration rate (premiums/GDP) came to 2% in 2020, barely 0.1 pp higher than in 2010. It should be noted that the penetration rate in the Honduran market was stagnant throughout the last decade, clearly diverging from the average growth trend seen by the Latin American insurance market as a whole (whose rate was 3.1%).

Chart 3.1.3-i
Honduras: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-j
Honduras: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Insurance density in Honduras (premiums per capita) amounted to 1,168 lempiras, up 1.2% on 2019 (1,154 lempiras). Density has been on an upward trend in Honduras, registering cumulative growth of 70.7% over the 2010-2020 period.

Depth in the Honduran market (measured as Life insurance premiums in relation to total premiums) stood at 34% in 2020; i.e., 7.8 pp above the value recorded in 2010 and in line with the previous year. Over the last two years, the spread between the Honduran depth indicator and the Latin American depth indicator has narrowed, though it still remains below the indicator's absolute values for the average of the region's countries (43%).

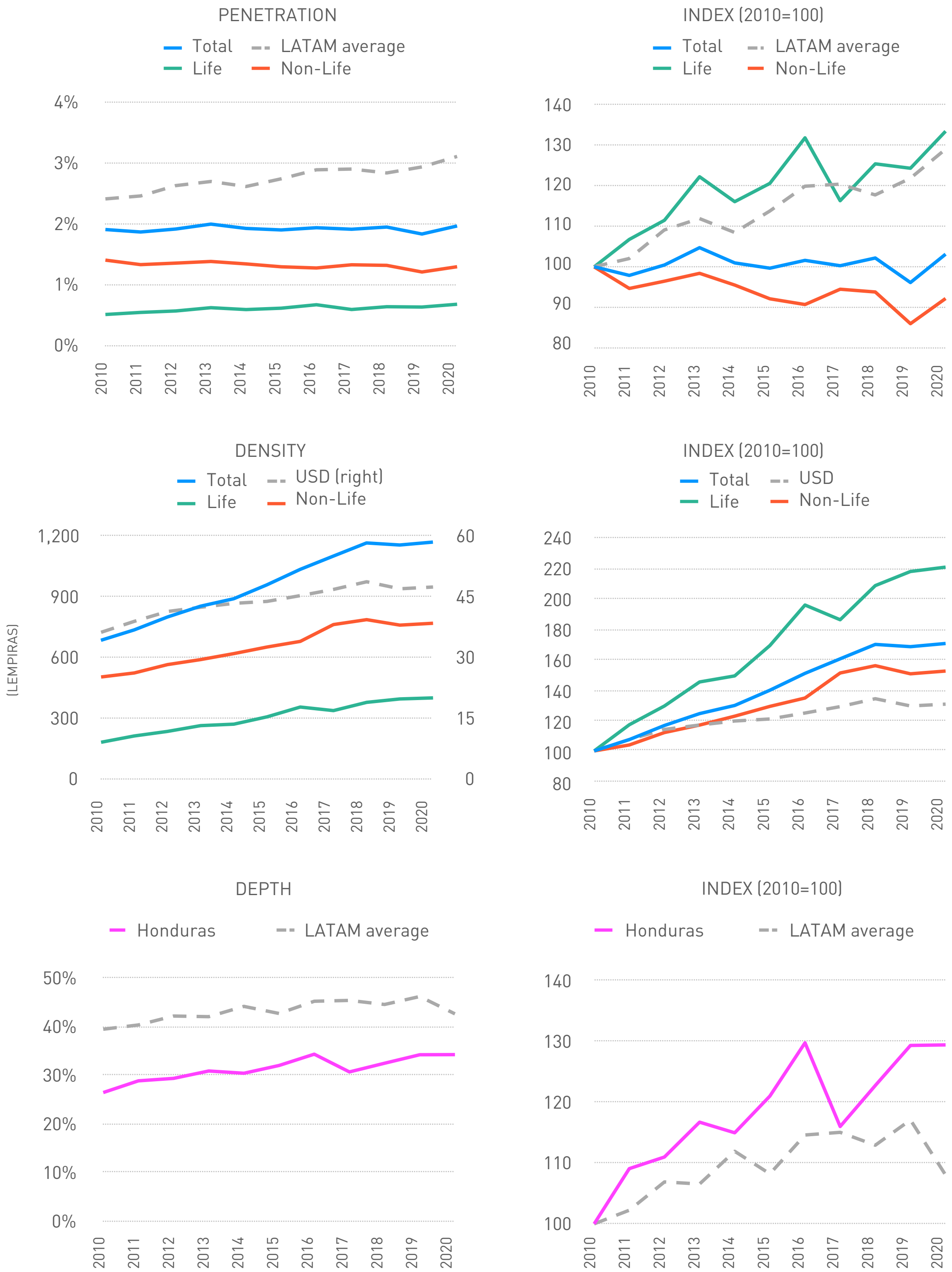
Estimation of the Insurance Protection Gap

Chart 3.1.3-l shows an estimate of the IPG for the insurance market in Honduras between 2010 and 2020. From this information we can see that the insurance gap stood at 34.38 billion lempiras (1.41 billion dollars) in 2020, three times the size of the actual insurance market in Honduras at the end of that year.

As with a significant number of Latin American insurance markets, the Life insurance segment is largely responsible for the structure and performance of the IPG in Honduras over the period under analysis. Indeed, Life insurance accounted for 57.59% of the IPG at the end of 2020 (20.06 billion lempiras), -11.1 pp below the share for this segment in 2010. The remaining 42.4% of the gap is a product of the Non-Life insurance segment (14.77 billion lempiras). The potential insurance market at the close of 2020 (sum of the actual market plus the IPG) is therefore estimated at 46.4 billion lempiras (1.88 billion dollars), four times the size of the total insurance market in Honduras that year (see Chart 3.1.3-m).

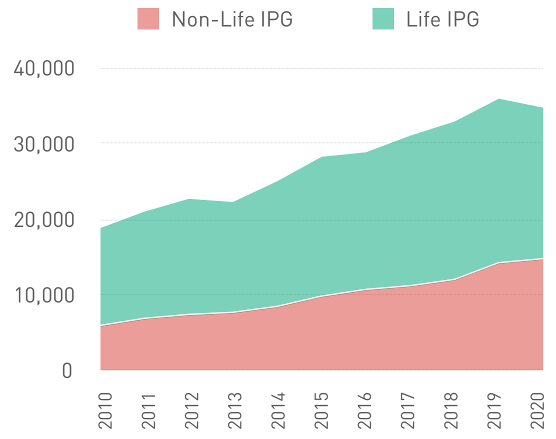
Chart 3.1.3-n provides an estimate of the IPG as a multiple of the actual insurance market in Honduras. The insurance gap as a multiple showed a slightly downward trend except for the upswing last year. In the Life insurance segment, is clearly decreasing (going from 8.6 to 5.1 times) in the 2010-2020 period.

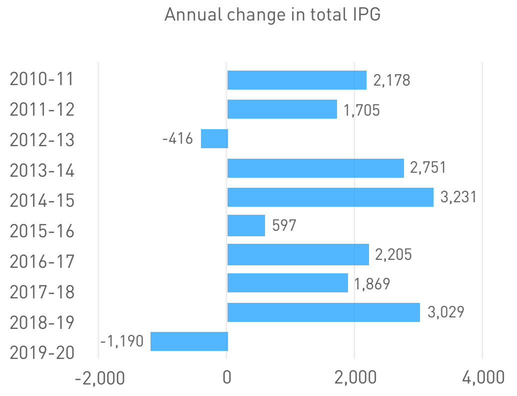
Chart 3.1.3-k
Honduras: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, lempiras and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-l
Honduras: Insurance Protection Gap
(millions of lempiras)





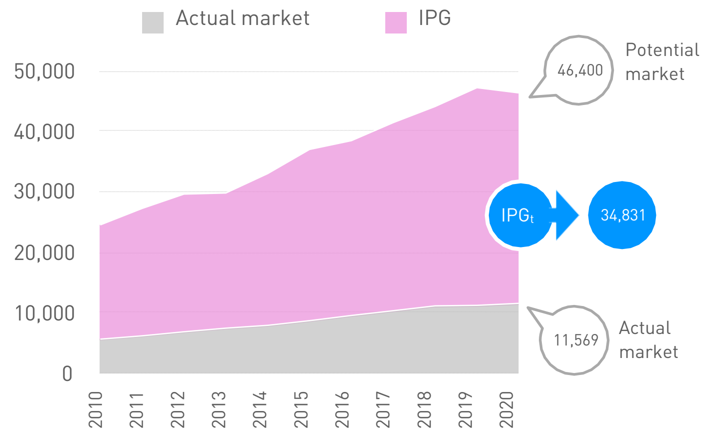
Source: MAPFRE Economics

The same cannot be said for the Non-Life insurance segment, however, where the insurance gap has displayed a positive trend over the period under analysis by climbing from 1.4 to 1.9 times in this time.

Chart 3.1.3-o summarizes the analysis of the development of the IPG as a multiple of the actual Life and Non-Life markets and the Honduran insurance market as a whole over the last 10 years. Said chart shows only an improvement in the Life business, not in the Non-Life segment, which even shrank in terms of the insurance gap as a multiple of the actual market.

Finally, Chart 3.1.3-p provides a summary of the assessment of the Honduran insurance market's capacity to bridge the insurance gap, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to

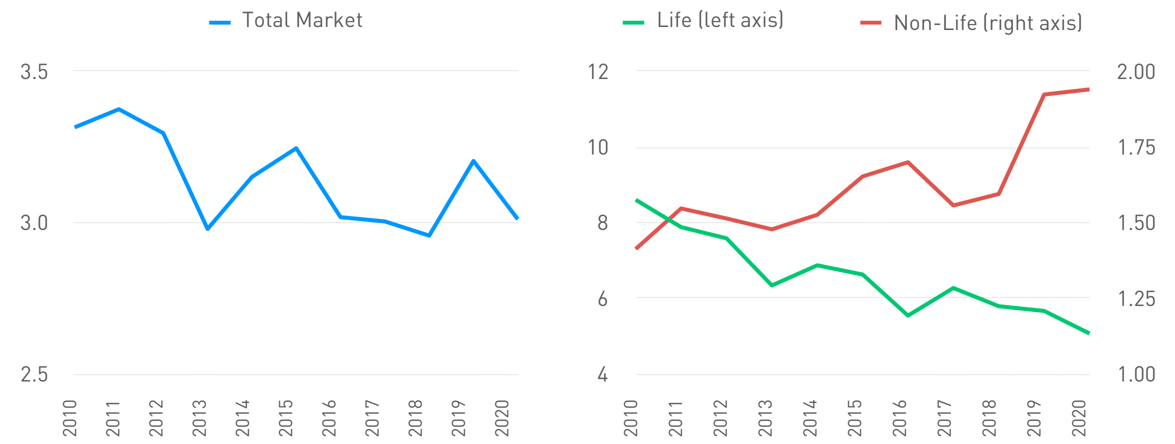
Chart 3.1.3-m
Honduras: Insurance Protection Gap and Potential Market
(millions of lempiras)



Variation	Actual market	IPG
2020-2010	103.2%	84.6%
2020-2019	2.9%	-3.3%

Source: MAPFRE Economics

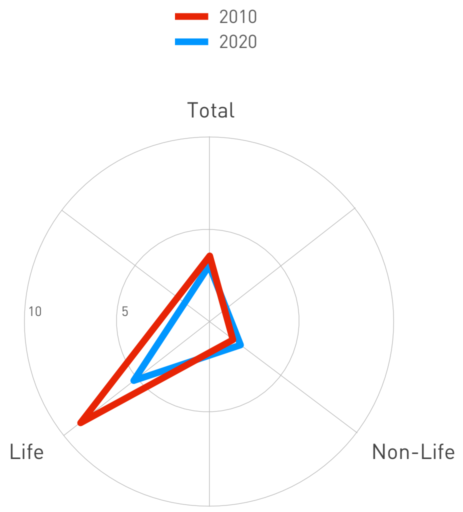
Chart 3.1.3-n
Honduras: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

close the gap estimated in 2020 over the next 10 years. According to the above, the Honduran insurance market posted an average growth rate of 7.3% over the 2010-2020 period; the product of an annual growth rate of 10.2% in the Life insurance segment and an annual average growth rate of 6.2% in Non-Life insurance. This analysis shows that, were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Honduran insurance market would fall short of the mark.

Chart 3.1.3-o
Honduras: Change in IPG as a Multiple of the Actual Market



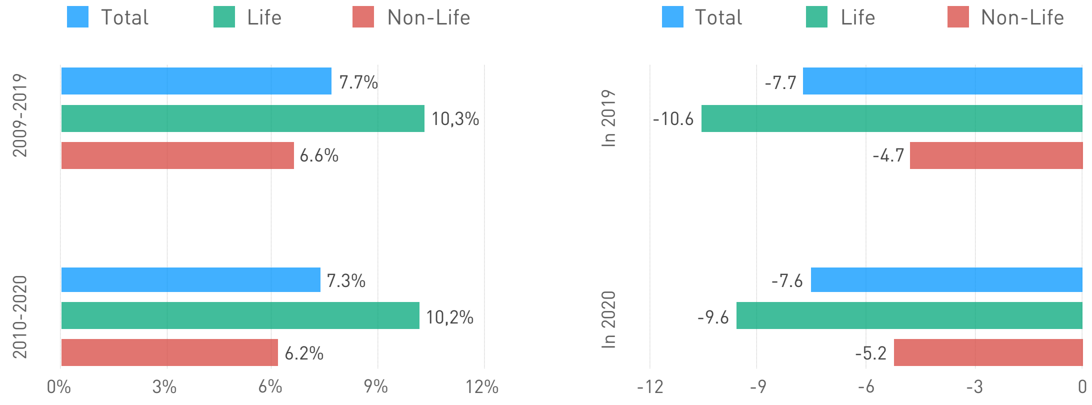
Source: MAPFRE Economics

In the case of the Life insurance segment, the rate would be 9.6 pp short, while it would fall 5.2 pp short for the Non-Life insurance segment. Notably, despite the slight improvement in the Life segment, whose insufficiency fell from 10.6 pp to 9.6 pp, this was not enough to offset the impairment in said insufficiency compared to the one calculated to this end in our 2019 report for the Non-Life segment. This behavior extended to the industry overall.

Market Development Index (MDI)

Chart 3.1.3-q provides an estimation of the Market Development Index (MDI) for the Honduran insurance industry. The MDI (which is used in this report as an indicator of the overall trend in development and maturity of the insurance market) displayed a positive trend over the period under analysis, with spikes in growth in 2008, 2013, and 2016. From 2016 on, this growth trend clearly diverges from the Latin American insurance market average, which grew at a faster pace. The indicator has been diverging from the Latin American average since 2016 by an average of -34.4 points (-42.7 points below in 2020).

Chart 3.1.3-p
Honduras: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



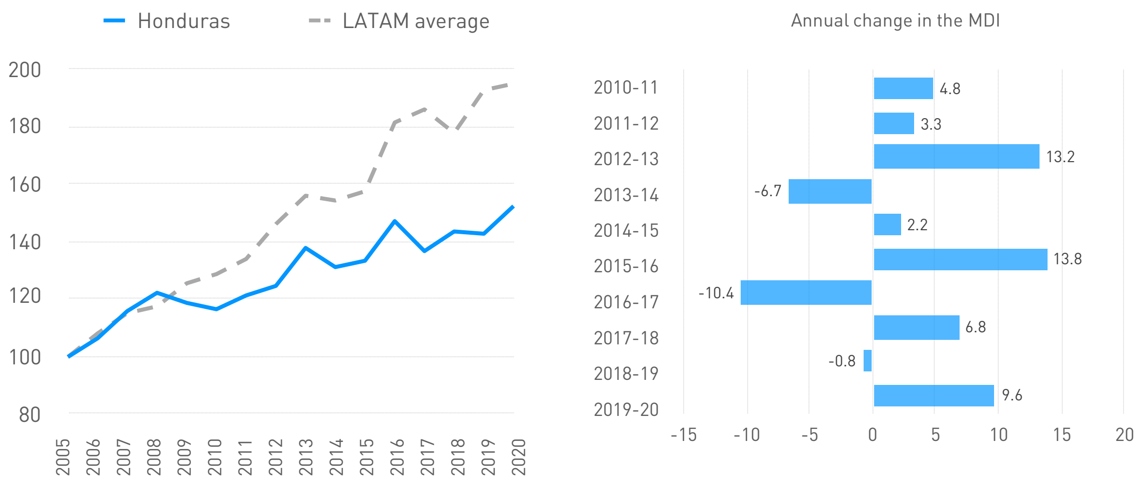
Source: MAPFRE Economics

Conjoint analysis of structural coefficients

Lastly, Chart 3.1.3-r summarizes the situation of the Honduran insurance market compared to the LatinAmerican average, from the perspective of the different structural indicators analyzed.

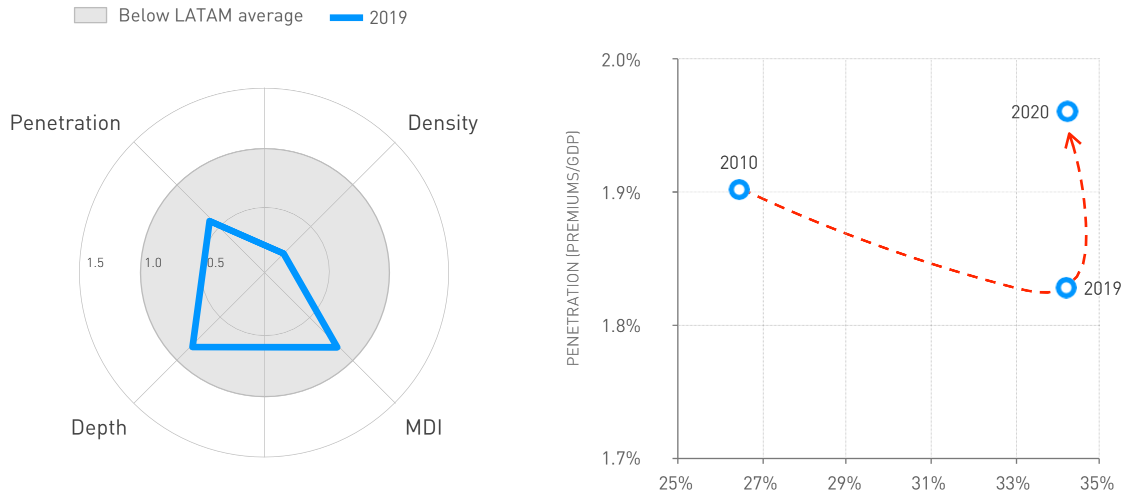
The Honduran insurance market is below the Latin American average for all of the indicators, and especially in terms of density, suggesting its still emerging level of development compared to the region as a whole.

Chart 3.1.3-q
Honduras: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.1.3-r
Honduras: Comparative Structural Coefficient Index* vs. Average for Latin America (2019) and Medium-Term Changes in the Insurance Market (2009-2019)



Source: MAPFRE Economics

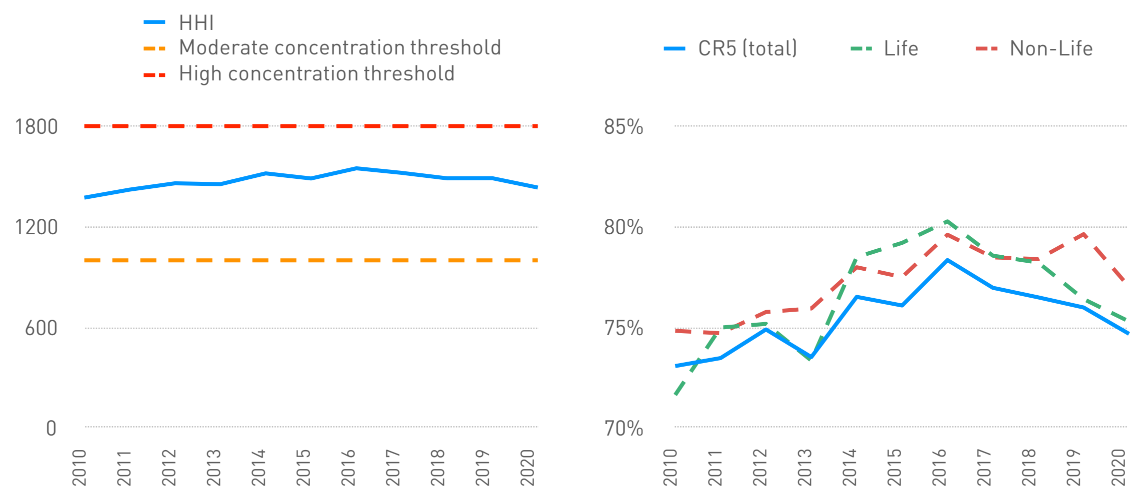
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Insurance Market Rankings

Overall ranking

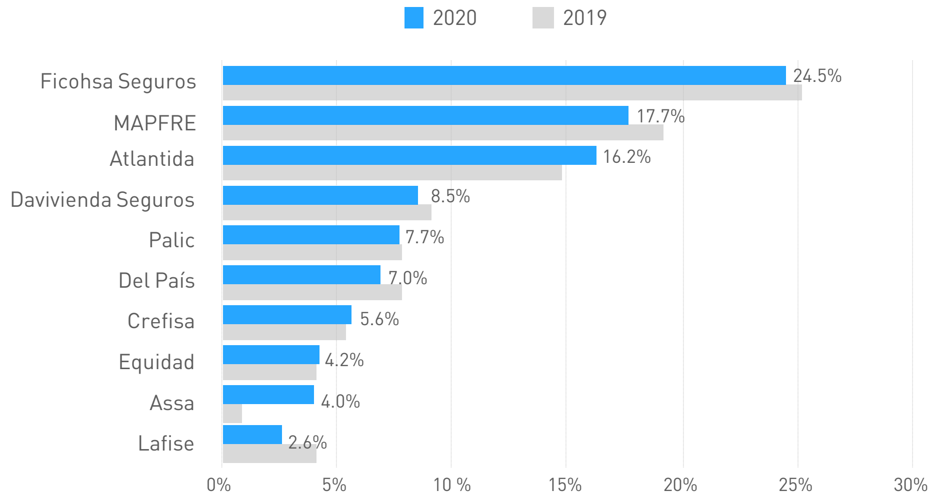
There were 11 insurance companies operating in Honduras in 2020, the same as the year before. The market share of the top five insurance companies (CR5) was 74.7% of total premiums, with a -1.3% drop in concentration compared to 2019 (76%). Industry concentration stayed relatively stable over the last few years, although at high levels and following a growth trend that began in 2010. The Herfindahl index remained above the moderate concentration threshold over the course of the last decade (see Chart 3.1.3-s).

Chart 3.1.3-s
Honduras: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-t
Honduras: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-t ranks the insurance groups operating in the Honduran market in 2020, which continues to be led by Ficohsa Seguros whose market share is down -0.7 pp, with 24.5% of premiums. It is followed by MAPFRE (17.7%) and Atlantida (16.2%), up -1.4 pp and down 1.4 pp in their respective market shares. Davivienda Seguros took fourth with 8.5% of the market share, while the other companies stayed in the same places as the previous year, except for an exchange in positions of Palic and Del país in the middle of the table and Assa's climb up two places.

Non-Life and Life rankings

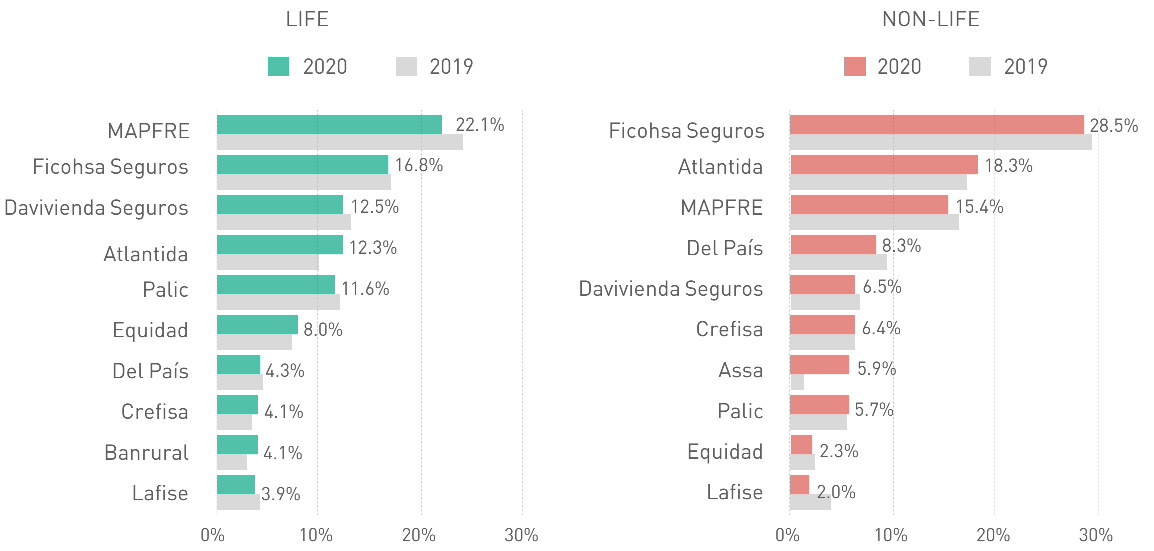
For the Non-Life ranking, Ficohsa Seguros again topped the table with a share of 28.5% of premiums. Atlántida came in next with 18.3%, followed by MAPFRE with 15.4% of the market share. All of the companies held their positions, except for Assa, which climbed up three places to the detriment of Palic (eighth) and LaFise (tenth), both of which dropped two positions.

Lastly, in the Life ranking, MAPFRE held first position with 22.1% of total premiums, followed by Ficohsa Seguros with 16.8% and Davivienda Seguros with 12.5%. With 12.3% of premiums in this market segment, Atlántida took fourth, surpassing Palic (fifth), with 11.6% of the market share (see Chart 3.1.3-u).

Key Regulatory Aspects

The National Banking and Insurance Commission continued strengthening the Risk-Based Oversight process that began in 2017 after the Cooperation Framework Agreement with the Toronto Leadership Centre. Among other actions to blend the legislative order with international principles, it took the following actions to this end in 2020. Approved regulations include; a) Standards for the Presentation and Publication of Financial Statements and Technical and Financial Indicators from Insurance Institutions (GES Resolution No.233/02-06-2020); b) Digital Channels. The Electronic Management System (SGE) and the Electronic Window. (GTI Resolution No.452/30-09-2020), and c) Risk-Based Comprehensive Framework (MISBR), (GES Resolution No. 662/29-12-2020).

Chart 3.1.3-u
Honduras: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

The draft regulatory reforms underway are also worth mentioning. They include amendments to: a) the Insurance and Reinsurance Institutions Act; b) Regulation on Corporate Governance Applicable to Overseen Institutions; c) Regulation on Reinsurance Transactions and the Foreign Reinsurer and Reinsurance Broker Registry; d) Standards for Technological Risk Management and Technological Operations Continuity; e) Operational Risk Management Standards; f) Standards for Appraisers of Tangible and Intangible Assets, Other Assets, and Credit Guarantees from Supervised Institutions; and g) Standards to Boost Transparency, Financial Culture, and Financial User Care at Overseen Institutions.

3.1.4 El Salvador

Macroeconomic Environment

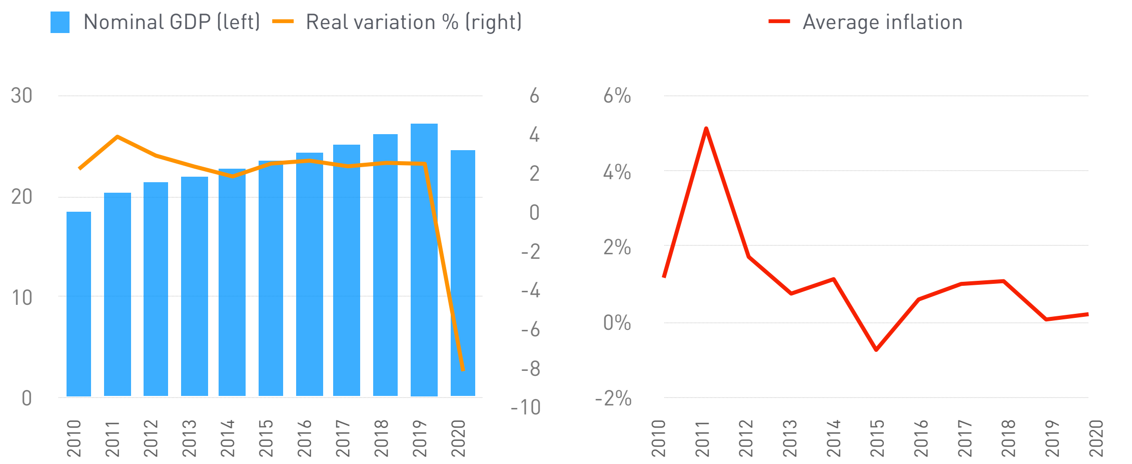
El Salvador's economy abruptly contracted by about -8.6% in 2020, compared to the positive performance of the previous years with average growth in the last decade above 2.4% (see Chart 3.1.4a). The economic effects of the pandemic COVID-19 pandemic caused domestic demand to plummet.

Combined with the economic downturn in the United States (the country's primary trading partner) and the resulting effect on remittances, this led to one of the largest GDP contractions in Latin America and the Caribbean.

According to data published by the Central American Monetary Council, the fiscal deficit of the central government was 9.2% of GDP in 2020 (compared to 1.6% in 2019). Public debt compared to GDP was 91.8%, a percentage significantly higher than the one seen at fiscal year end the previous year (73.3%) resulting from a drop in tax revenue and extensive fiscal aid packages for the most vulnerable people and companies approved by the government to mitigate the effects of the major economic downturn caused by the pandemic.

Crucially, El Salvador was already burdened by the cost of debt and access to international capital markets as a result of lack of political agreement in the legislature under the previous government, bringing it to default on an amount equivalent to 1.1% of the total budget. Pooled with the current impairment of the public

Chart 3.1.4-a
El Salvador: Changes in Economic Growth and Inflation
(GDP in local currency, billions of USD; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

accounts, caused the major rating agencies to lower the country's rating to select default with a negative outlook. In spite of this, given the circumstances, the decision was made to keep the Fiscal Responsibility Act suspended for the duration of the pandemic, as other countries in the region have done.

According to information published by the Central American Monetary Council, the balance of payments current account showed a surplus at year end 2020 equivalent to 0.5% of the GDP, compared to the deficit of 2.1% of GDP in 2019, due to the drop in imports and reduced oil bills, despite the significant slump in major exports (coffee, sugar, and shrimp). Finally, average inflation in the dollarized economy of El Salvador was 0.2%, compared to -0.1% in 2019.

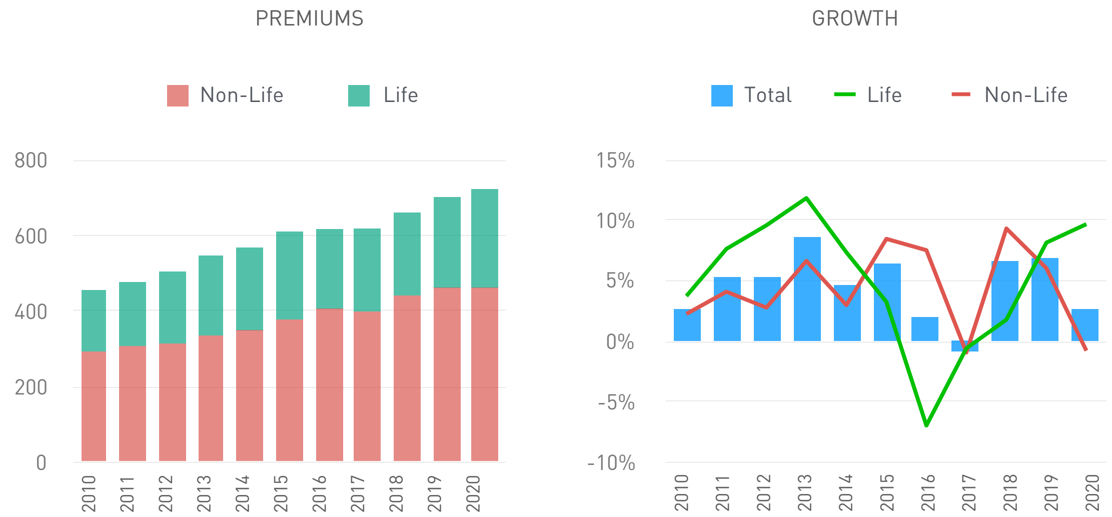
ECLAC estimates that this country's GDP will grow 7.5% in 2021, based on the recovery of internal demand and the robust growth expected for the United States economy, with the resulting effect on remittances and exports from El Salvador.

Insurance Market

Growth

In 2020, the Salvadoran insurance market's premium volume grew 2.8% in nominal terms (2.6% in real terms), reaching 722 million dollars, figures slightly higher than those from the previous year in the Life segment and lower for the Non-Life and overall insurance markets (see Table 3.1.4 and Chart 3.1.4-b). Life premiums representing 36% of the total market. Said premiums grew 9.7% in nominal terms in 2020 to 260 million dollars, while Non-Life premiums fell -0.7% to 462 million dollars. By modality, individual and group Life insurance policies, which are the most significant, grew 9% and social security and pension Life insurance policies also grew 11.9%. The Non-Life segment saw some slight growth, including in Fire (5.2%), Accident (1.1%), and Credit (0.1%), and shrank in Auto (-10.3%) and Other lines (-0.3%).

Chart 3.1.4-b
El Salvador: Growth Developments in the Insurance Market
(premiums, millions of USD; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

The Life insurance segment made a positive contribution of 3.3 pp to the 2.8% growth registered by the Salvadoran insurance market in 2020, explained by the Individual and Group insurance lines, as discussed above, while Non-Life insurance made a negative contribution to the total with -0.5 pp (see Chart 3.1.4-c).

Balance Sheet and Shareholders' Equity

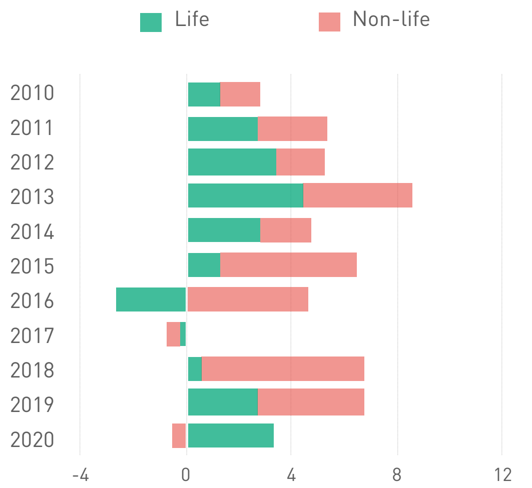
Chart 3.1.4-d shows changes in the aggregate balance of the insurance industry of El Salvador in 2010-2020. This information shows that the sector's total assets amounted to 971 million dollars in 2020, up 4.2% year over year. Aggregate capitalization levels measured over total assets are notable in a balance sheet analysis. This indicator is above 40% for the 2010-2020 period, reaching a maximum of 52.3% in 2010, and it has been slightly falling from then on, reaching 42% over total assets in 2020.

Table 3.1.4
El Salvador: Premium Volume[1] by Line, 2020

Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**722**	**2.8**	**2.6**
Life	**260**	**9.7**	**9.5**
Individual and group	196	9.0	8.8
Social security and pension	64	11.9	11.7
Non-Life	**462**	**-0.7**	**-1.0**
Accident and Illness	136	1.1	0.9
Fire and/or allied lines	116	5.2	5.0
Auto	91	-10.3	-10.5
Other lines	103	-0.3	-0.5
Credit and/or surety	15	0.1	-0.1

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)
1/ Written premiums net of returns and cancellations

Chart 3.1.4-c
El Salvador: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	2.8	1.3	1.5
2011	5.4	2.7	2.7
2012	5.2	3.4	1.8
2013	8.6	4.4	4.2
2014	4.7	2.8	1.9
2015	6.4	1.3	5.2
2016	2.0	-2.6	4.7
2017	-0.8	-0.2	-0.6
2018	6.7	0.6	6.1
2019	6.8	2.7	4.1
2020	2.8	3.3	-0.5

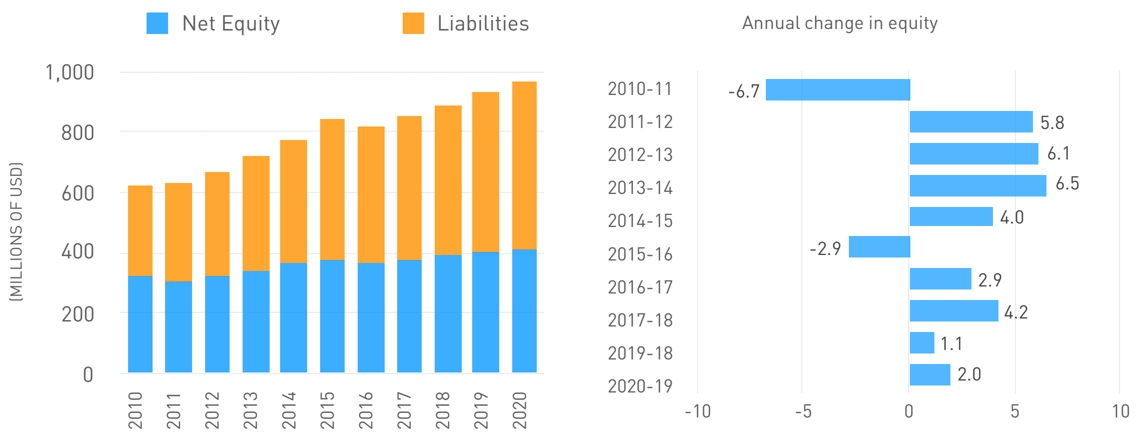
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Investments

Chart 3.1.4-e shows the evolution of investments, while Charts 3.1.4-f and 3.1.4-g show the composition of the aggregate investment portfolio by sector for the Salvadoran insurance market over the course of the 2010-2020 period. As the charts show, investment in 2020 amounted to 667 million dollars (2.6% higher than reported in 2019).

As the data in Chart 3.1.4-g show, 78.3% of investments in 2020 were allocated to debt and equity instruments, 14.8% to cash and cash equivalents, 3.5% to property, and the remaining 3.4% to other financial investments. Focusing on changes to the industry structure of the investments over the last decade, there was a significant increase in 2012 of the

Chart 3.1.4-d
El Salvador: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



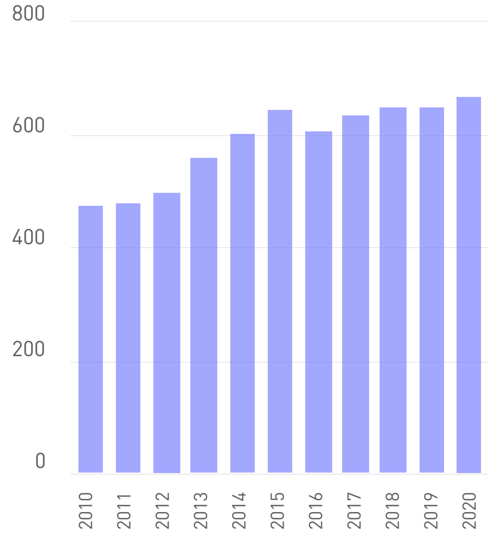
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

percentage of debt and equity instruments (in 2020 they were up 5.8% from 2010) at the expense of assets maintained like cash and cash equivalents. Over the last few years, however, there appears to have been a shift from other financial investments to cash and cash equivalents (Chart 3.1.4-f).

Technical provisions

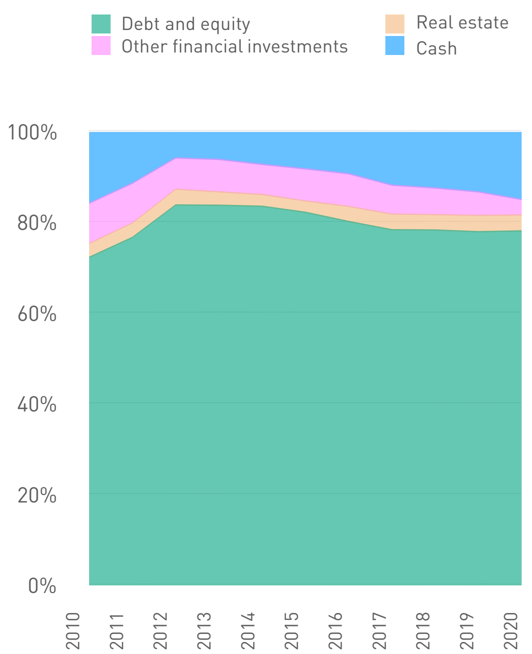
Charts 3.1.4-h, 3.1.4-i, and 3.1.4-j show changes in the technical provisions of the Salvadoran insurance industry and the composition thereof over the course of the 2010-2020 period. Technical provisions stood at 351.6 million dollars in 2020, up 28.9 million from the previous year. 34.6% of all technical provisions corresponded to Life insurance, 37.1% to provisions for unearned premiums and outstanding risks for Non-Life insurance, 25.8% to the provision for outstanding claims, and the remaining 2.4% to the provision for catastrophic risks. Throughout the 2010-2020 period, there was an overall sustained increase in absolute terms of all technical provisions, except for Life provisions, which dropped slightly in 2015 and 2016.

Chart 3.1.4-e
El Salvador: Insurance Market Investments
(millions of USD)



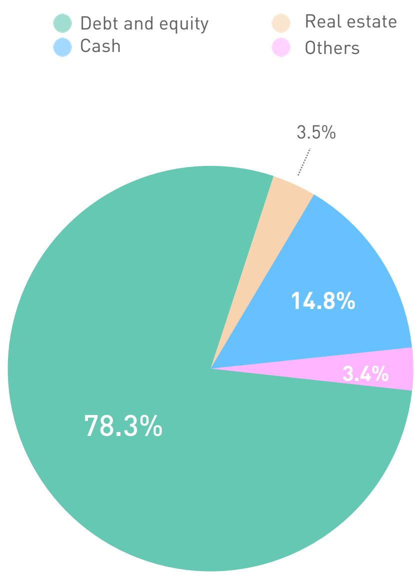
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-f
El Salvador: Structure of Investments
(%)



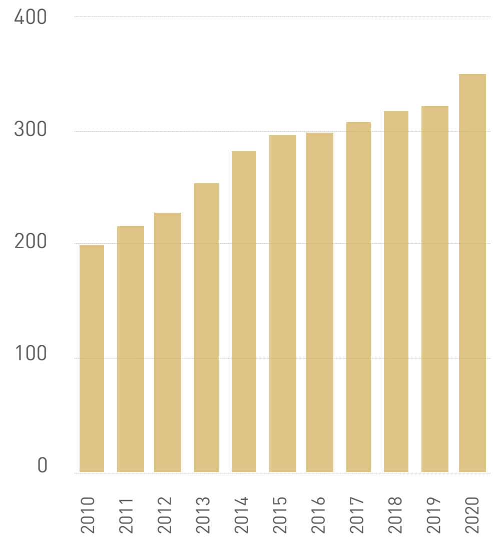
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-g
El Salvador: Structure of Investments, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-h
El Salvador: Technical Provisions
of the Insurance Market
(millions of USD)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Apart from this, no particularly significant changes in the composition of technical provisions were observed over the last 10 years.

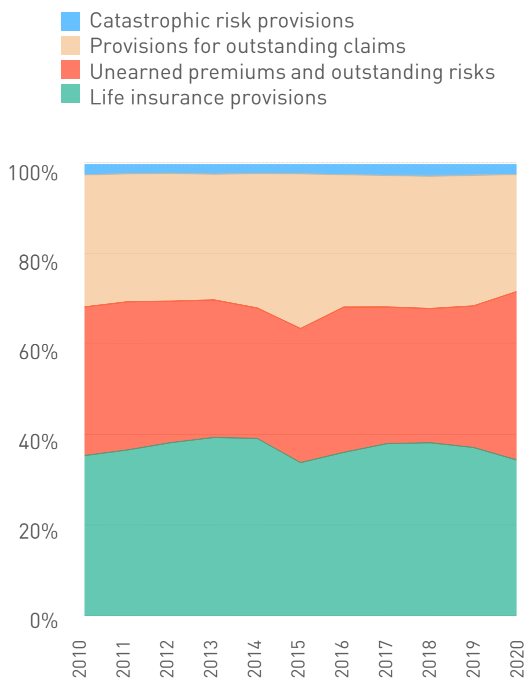
Technical performance

Chart 3.1.4-k shows the technical performance of the Salvadoran insurance industry over the 2010-2020 period, based on an analysis of the market's combined ratio. It shows sustained impairment of this indicator starting from 2010 on, with a combined ratio going from 85.9% to 102.7% in 2020, the highest value in this period.

Results and Profitability

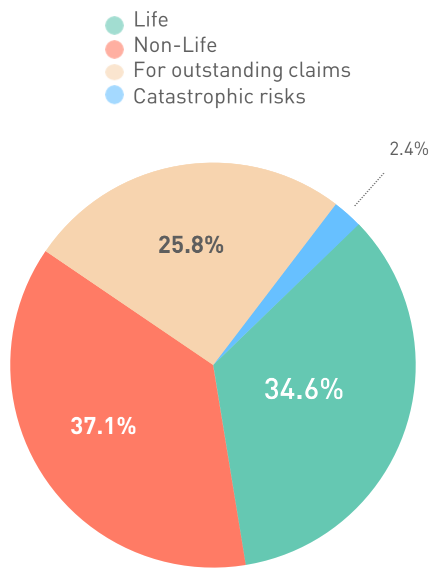
The 2020 result before tax from the Salvadoran insurance business was 28.8 million dollars (compared to 35.5 million in 2019), due to the decrease in both the technical and financial results. As seen in Chart 3.1.4-l, starting in 2010, with the exception of 2018, there is a sustained decrease in the technical result, which affected the insurance industry's profitability. In 2020 profitability hit its minimum (-11.3 million dollars) and the financial result fell 6 million dollars to 18 million dollars.

Chart 3.1.4-i
El Salvador: Structure of
Technical Provisions
(%)



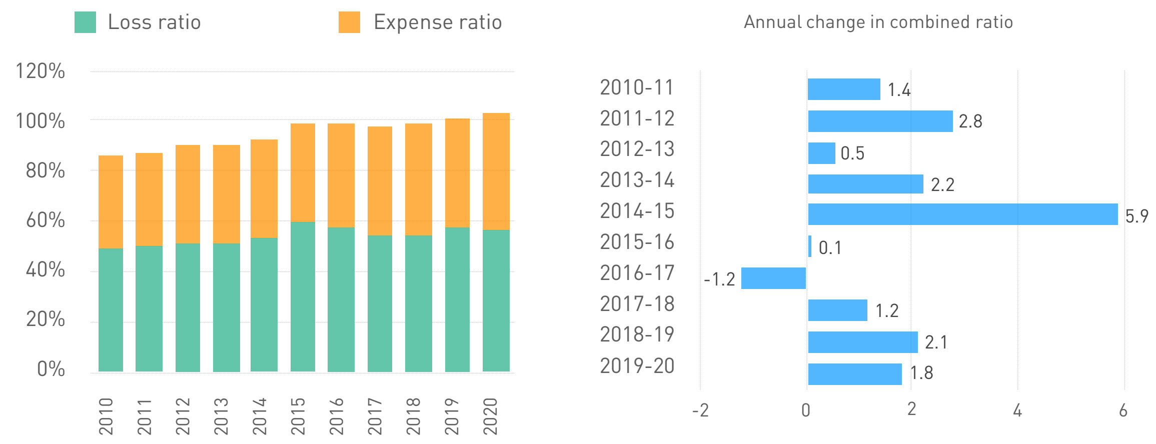
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-j
El Salvador: Structure
of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-k
El Salvador: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



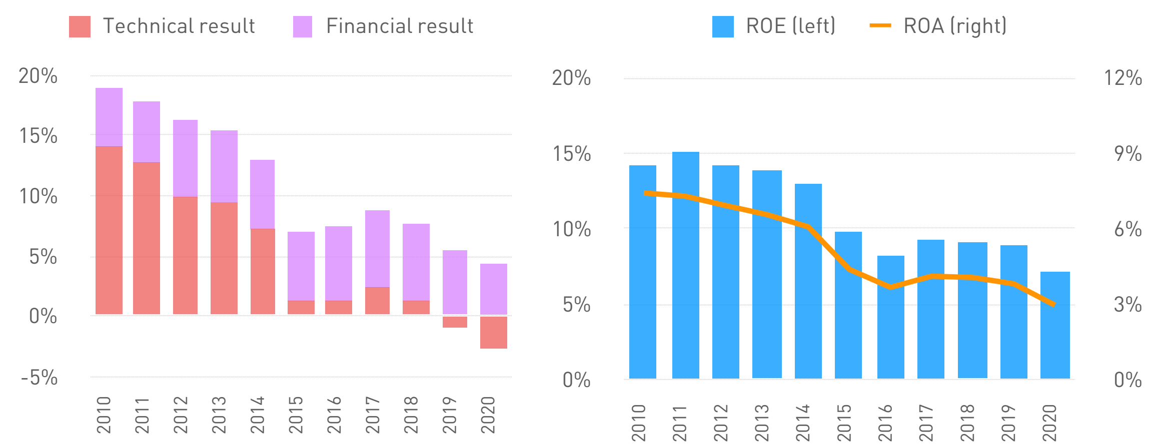
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

In line with the above, the return on equity (ROE) for the Salvadoran market confirmed the downward trend, hitting 7.1% in 2020, a -1.8 pp drop compared to 2019 and -7.1 pp less than in 2010. A similar situation emerges when analyzing the return on assets (ROA), which reached 3.0% in 2020, staying -0.8 pp lower than 2020 and -4.4 pp lower than 2010.

Insurance penetration, density and depth

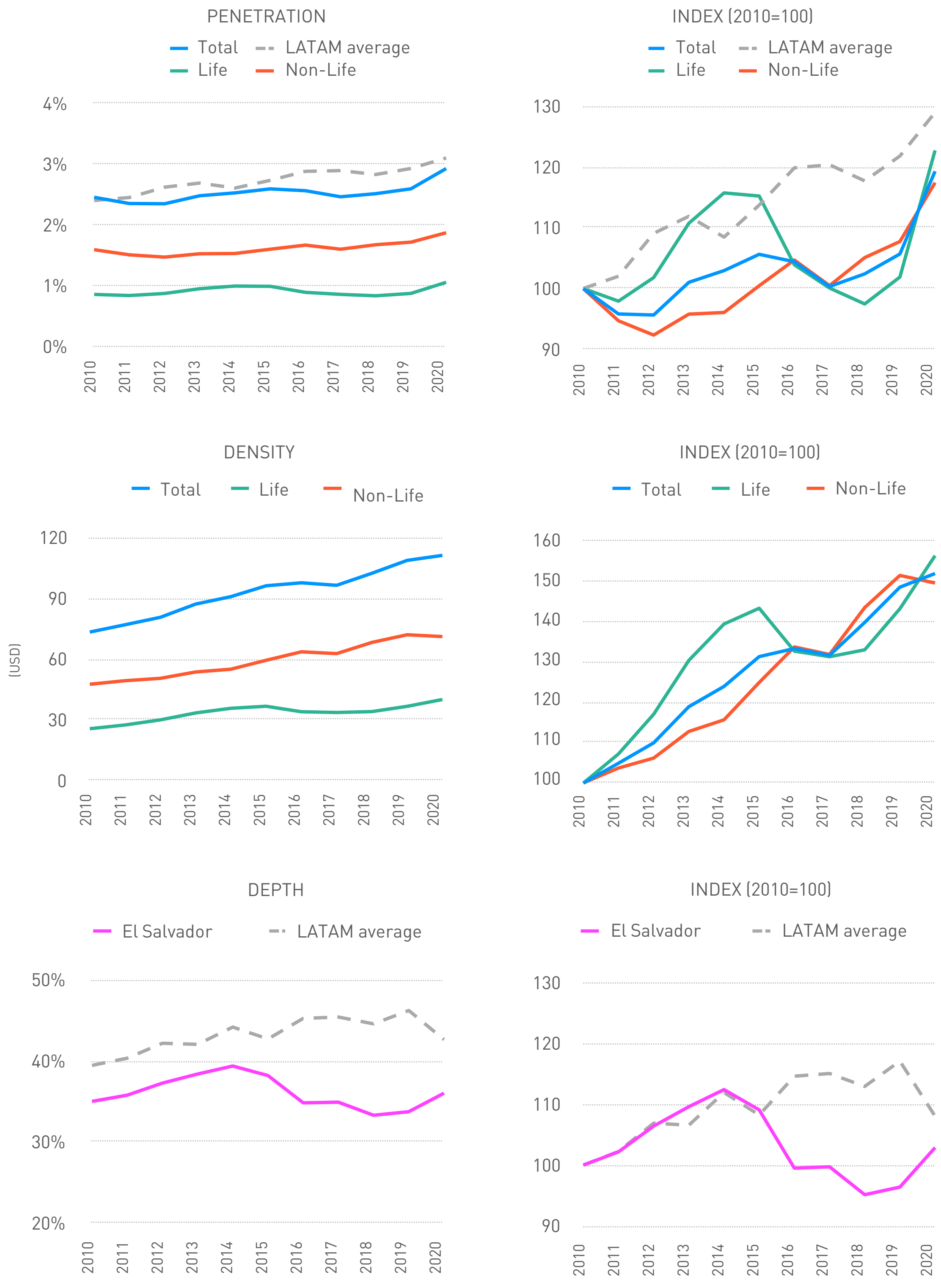
The major structural trends in the development of the insurance industry in El Salvador in the 2010-2020 period are shown in Chart 3.1.4-m.

Chart 3.1.4-l
El Salvador: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-m
El Salvador: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2010 rate=100)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

The penetration rate (premiums/GDP) in 2020 was 2.9%, a figure 0.4 pp higher than in 2010. It should be noted that the penetration rate for the Salvadoran insurance market was stagnant at around 2.5%. This clearly diverged from the average trend in Latin American markets starting in 2011 with values below the Latin American average, which reached 3.1% in 2020.

Meanwhile, the density indicator (premiums per capita) stood at 111 dollars in 2020, up from the level reported the previous year (109 dollars). The density of the Salvadoran insurance market has been steadily increasing over the period, recording cumulative growth of 51.7% throughout the 2010-2020 period. This indicator also showed higher growth this year compared to the Latin American market average, which was 216 dollars in 2020 compared to 247.5 dollars in 2019.

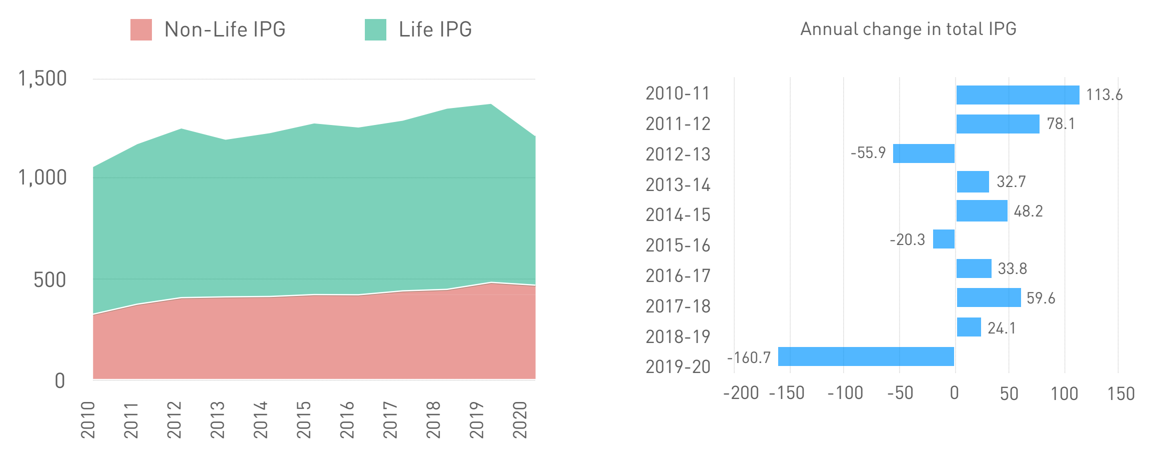
Depth in the Salvadoran market (measured as Life insurance premiums vs. total premiums) stood at 36% in 2020, 1.0 pp more than in 2010 and 2.3 pp higher than in 2019, showing growth until 2014, when after which it stagnated at around 35%. The absolute values for the average indicator for the countries in the region (42.7% for 2020) was always above the Salvadoran insurance market, although as indicated above, the divergence with the average for countries in the region has been on the rise since 2015.

Estimation of the Insurance Protection Gap

Chart 3.1.4-n shows the estimated IPG for the Salvadoran insurance market between 2010 and 2020. As seen there, the 2020 insurance gap in El Salvador was 1.21 billion dollars, representing 1.7 times the actual insurance market for that year (slightly less than the previous year).

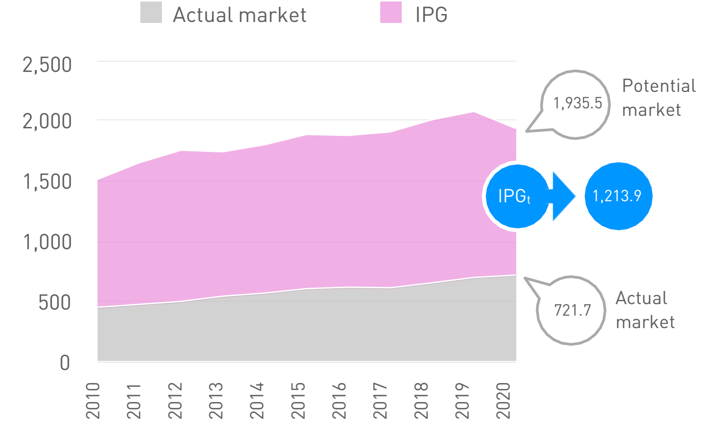
The structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. Life insurance accounted for 61.1% of the insurance gap at the end of 2020 (742 million dollars), down -7.9 pp compared to 2010. The remaining 38.9% of the IPG is attributable to the contribution of the Non-Life segment (472 million dollars). Thus, the potential insurance market in El Salvador at the end of 2020 (the actual market plus the IPG) was an estimated 1.94 billion dollars, representing 2.7 times the total insurance market in El Salvador that year (see Chart 3.1.4-o).

Chart 3.1.4-n
El Salvador: Insurance Protection Gap
(millions of USD)



Source: MAPFRE Economics

Chart 3.1.4-o
El Salvador: Insurance Protection Gap and Potential Market
(millions of USD)



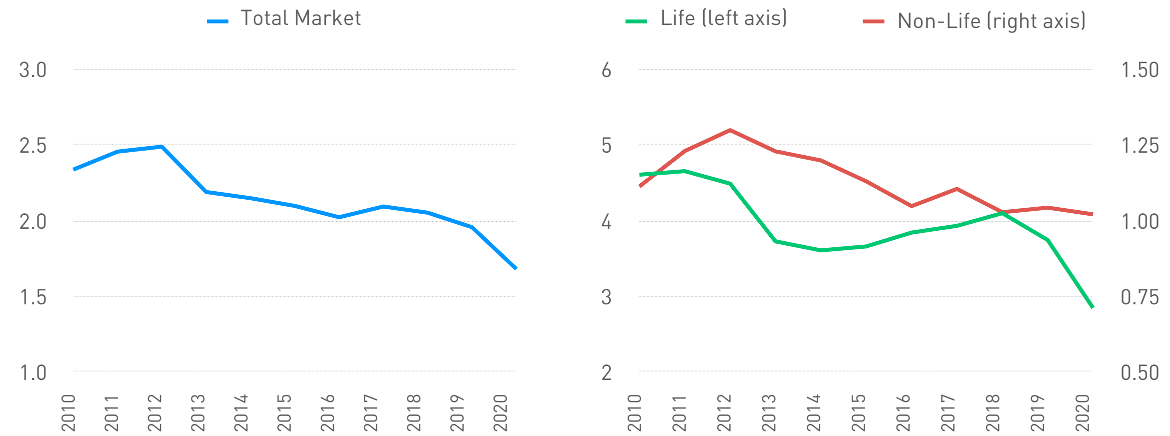
Variation	Actual market	IPG
2020-2010	59.1%	14.4%
2020-2019	2.8%	-11.7%

Source: MAPFRE Economics

Furthermore, Chart 3.1.4-p shows an estimate of the insurance gap as a multiple of the actual insurance market over the course of the 2010-2020 period. The IPG for the Life insurance segment as a multiple of the market followed a sustained downward trend over the period under analysis (going from 4.6 to 2.9 times), especially from 2019 on. For the Non-Life insurance segment, the medium-term trend is stable at around 1.1 times in this period.

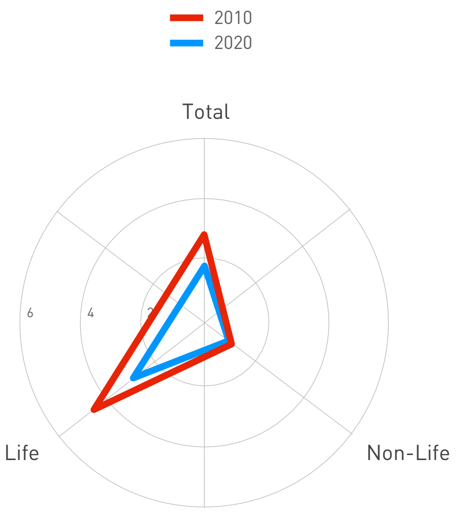
Chart 3.1.4-q summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Salvadoran insurance market over the last decade, comparing the situation in 2020 to that of 2010. According to said chart, the situation in the Salvadoran insurance market improved in the Life insurance business while Non-Life insurance remained stable at a level similar to that of 10 years ago.

Chart 3.1.4-p
El Salvador: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.1.4-q
El Salvador: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

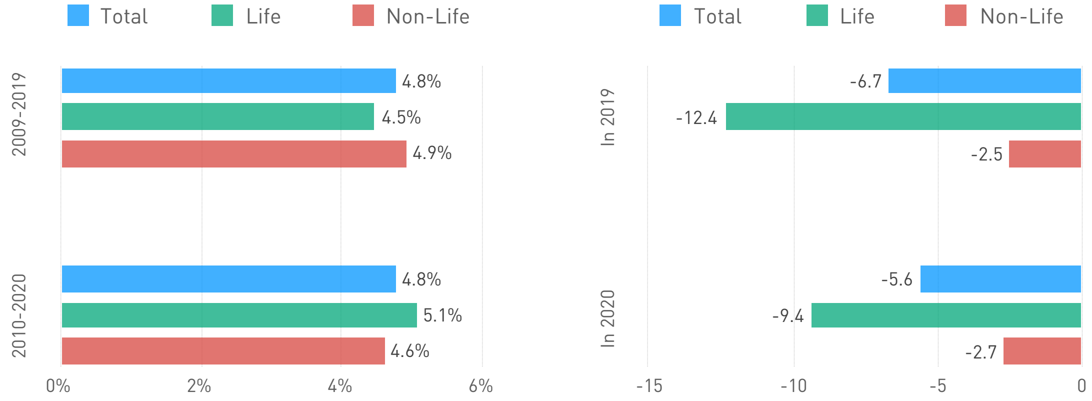
Lastly, Chart 3.1.4-r provides a summary of the assessment of the Salvadoran market's capacity to bridge the insurance gap using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap estimated in 2020 over the next 10 years.

The Salvadoran insurance market grew at an average annual rate of 4.8% between 2010 and 2020; the Life segment saw average annual growth of 5.1%, while the Non-Life segment reported annual growth of 4.6%. Were the same growth rate seen over the last 10 years to continue over the next 10 years, the growth rate of the Salvadoran insurance market would fall short of bridging the insurance gap in both the Life insurance segment (where the insufficiency would be 9.4 pp) and the Non-Life insurance segment (with an insufficiency of 2.7 pp). Notably, this insufficiency dropped for the Life segment while it grew slightly compared to the previous year for the Non-Life segment.

Market Development Index (MDI)

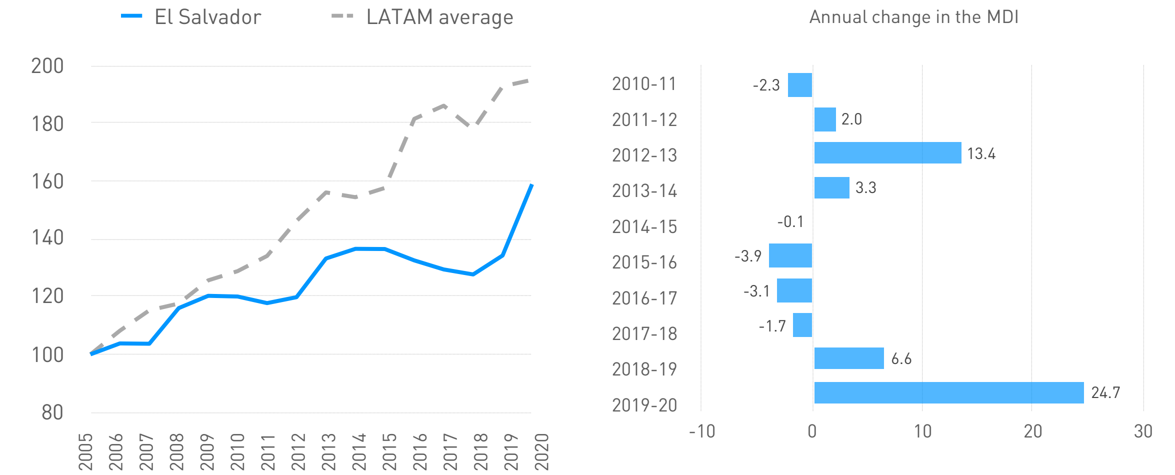
As discussed above, the Market Development Index (MDI) is used as an indicator of general trends in the performance and maturity of the insurance market. Chart 3.1.4-s shows the calculation for the Salvadoran insurance industry. The indicator generally showed a positive growing trend over the 2010-2020 period, although it has been dipping since 2015 and, as of 2010, has fallen below and diverged from the trend shown by the average performance of the Latin American insurance markets.

Chart 3.1.4-r
El Salvador: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.1.4-s
El Salvador: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Notably, this indicator recovered markedly by 24.7 points in 2020, mainly due to the closing of the Life insurance gap compared to the previous year. Since this is an unusual situation with the pandemic impacting GDP and insurance business volumes in the economies in the region, time will tell in the coming years if this is indeed a shift in the trend.

Conjoint analysis of structural coefficients

Lastly, Chart 3.1.4-t summarizes the Salvadoran insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients discussed in this section. We can see from this analysis that, except for penetration, the insurance market situation in El Salvador is below the average in Latin America for the other of indicators and especially in terms of density (although that improved over the last year), suggesting its still emerging level of development compared to the markets in the region as a whole.

As indicated above, improved penetration this year was proof of the insurance industry's strong resistance, and particularly the resistance of the Life business, in the face of the major economic contraction caused by the pandemic.

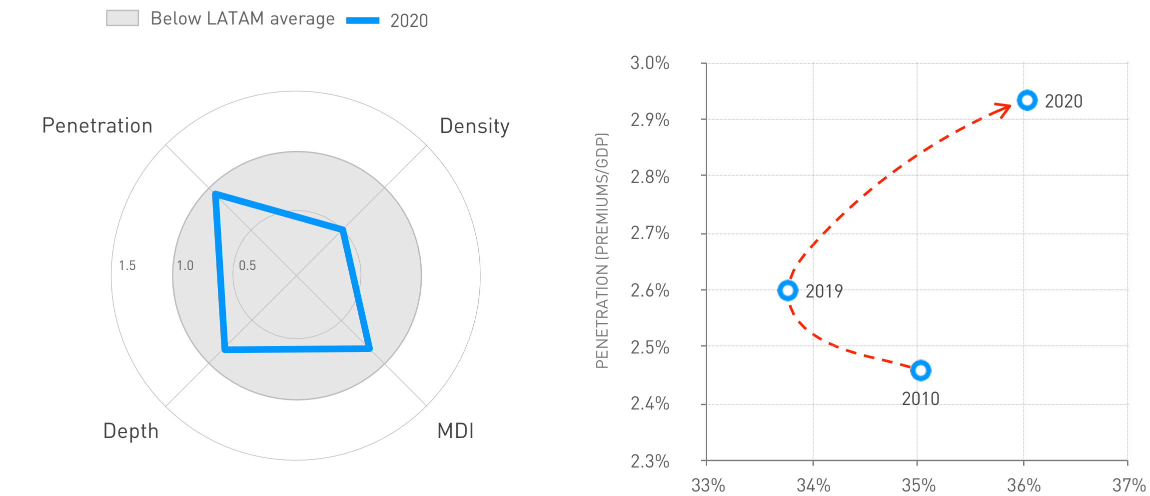
Insurance Market Rankings

Overall ranking

In 2020, 23 insurance companies operated on the Salvadoran market, one more than the previous year. The Herfindahl and CR5 indices show that the degree of insurance industry concentration in El Salvador is at levels similar to those seen 10 years ago, although it did go down in the 2013-2018 period with signs of recovery starting in 2019.

The market share of the top five insurers (CR5) in 2020 represented 63.1% of total premiums, an increase in concentration compared to 2019 (60.8%). The Herfindahl index spent virtually the entire last decade in line with the threshold

Chart 3.1.4-t
El Salvador: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)

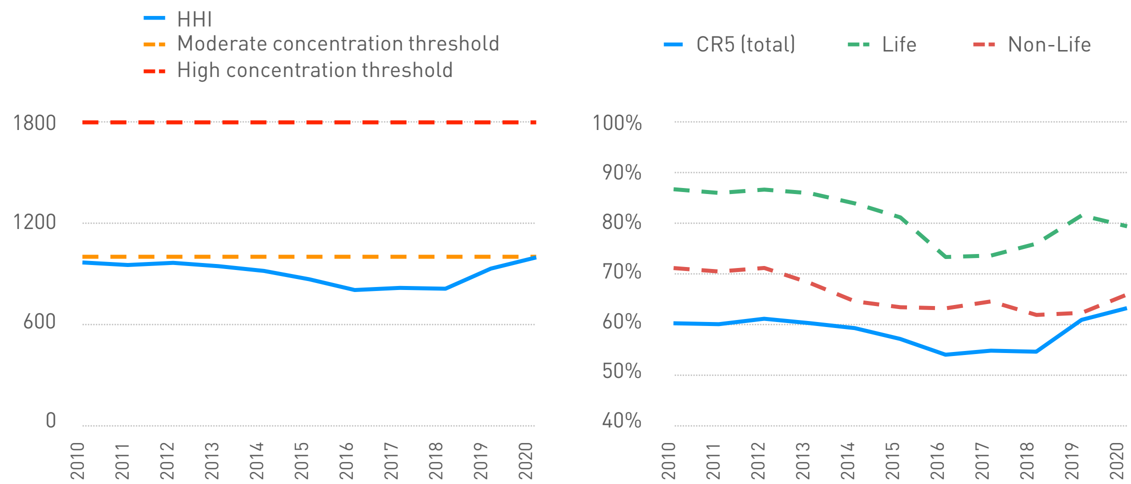


Source: MAPFRE Economics
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

indicating entry into levels of moderate insurance industry concentration, diverging positively from 2013 until 2018, when the trend seems to reverse (see Chart 3.1.4-u).

In the overall ranking of insurance groups in 2020 (chart 3.1.4-v), the top position this year went to Seguros e Inversiones (SISA), with a market share of 27.9% (increasing 7.24 pp), surpassing Aseguradora Suiza Salvadoreña,

Chart 3.1.4-u
El Salvador: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

which fell to second place with a market share of 19.6% (with the market share falling -2.74 pp). Third place once again went to Aseguradora Agrícola Comercial (12.3% with its market share dropping -0.78 pp compared to the previous year). Notably, Scotia, which was in seventh place last year, was absorbed by SISA and, as a result, Davivienda, Seguros Fedecrédito, and Seguros Azul jumped up one position, with Seguros del Pacífico closing out the ranking after jumping up three positions compared to the previous year and starting 2020 in the top 10.

Non-Life and Life rankings

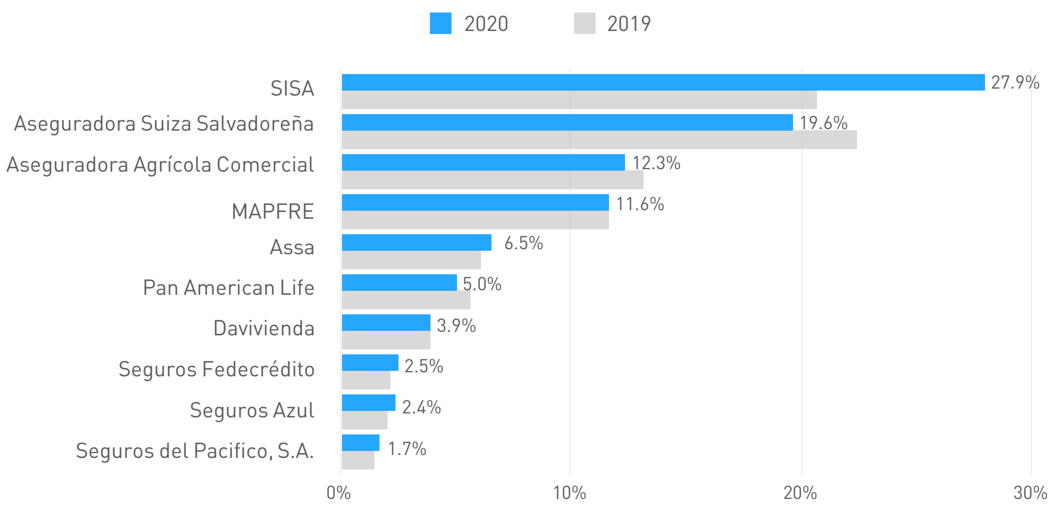
The top three positions of the Non-Life insurance group ranking on the Salvadoran market are held by SISA (19.7%), which climbed two places to lead the ranking, followed by Aseguradora Suiza Salvadoreña (19.7%), which took second place, and Aseguradora Agrícola Comercial (18.2%), which climbed to third. MAPFRE (15%) stayed in fourth, while other companies at the bottom of the ranking rose as a result of Scotia's purchase of SISA.

In terms of the insurance group ranking for the Life segment, SISA topped the market in El Salvador, with 42.5% of the premiums. With a market share of 19.4%, Aseguradora Suiza Salvadoreña took second place (after strongly committing to social security insurance), and Davivienda (6.7%) surpassed Pan American Life (6.1%), relegated to fourth position. MAPFRE stayed in fifth place with a market share of 5.6%. Notably, Atlántida Vida came onto the scene for the first time this year, taking ninth place (see Chart 3.1.4-w).

Key Regulatory Aspects

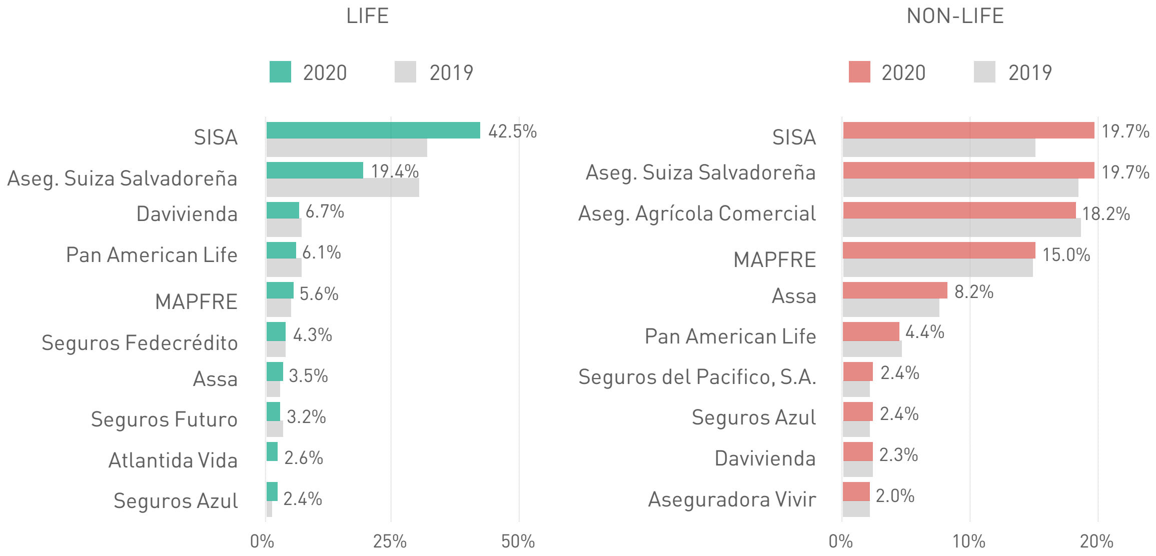
Notable regulatory updates include the Temporary Technical Standards for the Social Security System approved on March 18, 2020. In order to guarantee members the disability and survivors insurance referred to in Article 124 of the Social Security Savings System (SAP) Act, said regulation states that Pension Fund Administrating Institutions that had not issued a disability and survivors insurance contract at the entry into force of Legislative Decree No.593 were authorized to extend existing contracts for a maximum of 90 days, while a new bidding process could take place, pursuant to to the provisions of Article 124 of the SAP Act.

Chart 3.1.4-v
El Salvador: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-w
El Salvador: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Second, there are the Data Security Management Technical Standards (NRP-23) approved 4/14/2020. These provisions establish minimum criteria to manage data security and cybersecurity, pursuant to international practices, nature, size, insurance risk profile, and operational volume.

Third, Technical Standards for Business Continuity Management System (NRP-24) were issued. Approved on 4/14/2020, these standards establish minimum provisions that insurance companies must consider when setting up Business Continuity Management Systems and criteria to adopt policies, plans, methods, and procedures in accordance with international best practices, the size and nature of each company's operations, business segmentation, and organizational complexity and, thus, bolster its operational risk management.

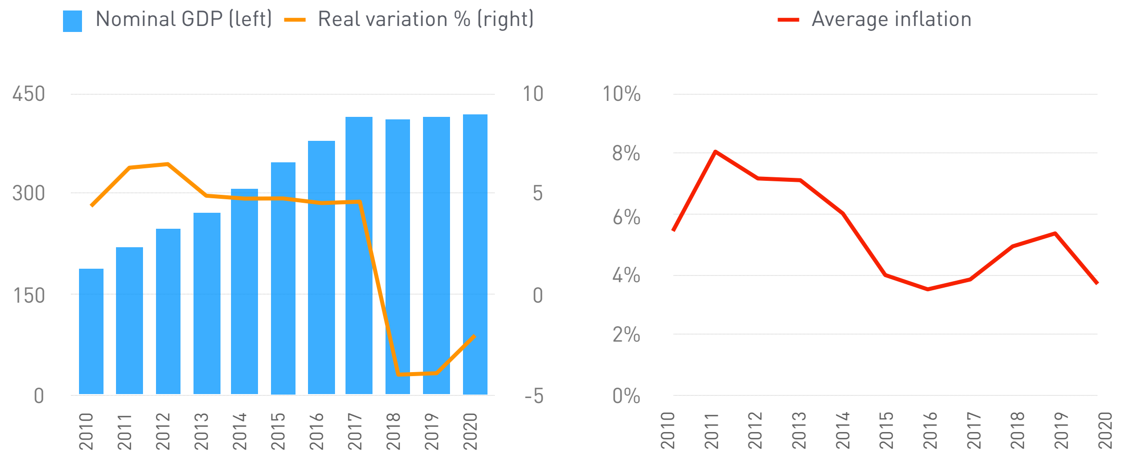
Finally, the Temporary Technical Standards for the Processing of Loans affected by COVID-19 (NPBT-01 of 9/10/2020). These provisions state that all companies to whom the law applies must adopt the mechanisms necessary to keep insurance policies covering the credit obligations of anyone affected by the COVID-19 pandemic valid.

3.1.5 Nicaragua

Macroeconomic Environment

The Nicaraguan economy's GDP shrank -2.0% in real terms in 2020. While this was one of the smallest contractions in the region despite the situation caused by the pandemic, it came on the heels of economic downturns in previous years (-3.9% in 2019 and -4.0% in 2018), disrupting a stretch of eight continuous years of notable economic growth (see Chart 3.1.5-a). This situation originated in the political and social conflict erupting in 2018, so the Nicaraguan economy started off the pandemic in an already depressed situation, and in combination with the application of accordingly laxer social distancing measures than in other countries in the area, explain why the GDP contracted less in Nicaragua. In this outlook of sustained economic downturn, the government is facing additional difficulties implementing reforms on the Tax Compromise Act and the Regulation on the Social Security Act (both in force since late 2019) to balance public accounts in an attempt to contain public spending and raise income tax and luxury tax revenues.

Chart 3.1.5-a
Nicaragua: Changes in Economic Growth and Inflation
(GDP in local currency, billions of cordobas; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

This was also motivated by the rather limited role of fiscal aid in this crisis.

In this context, at year end 2020, the central government's fiscal deficit was 1.03% when the year before had closed with a surplus of 0.26%, according to data published by the Central American Monetary Council. Public debt was 64.8% of the GDP (compared to 56.8% at year end 2019). The current account balance once again yielded a significant surplus of 7.6% of the GDP due to the drop in imports (6% in 2019). Average inflation was 3.7% in 2020 (vs. 5.4% in 2019) and the average exchange rate depreciated 3.5% compared to the dollar, i.e., to a lesser extent than the currencies of other economies in the region.

ECLAC forecasts 2.5% real GDP growth of the Nicaraguan economy in 2021, which would bring it slightly above the level it had prior to the crisis caused by the pandemic, but still far from the levels of the economy prior to the 2018 crisis.

Insurance Market

Growth

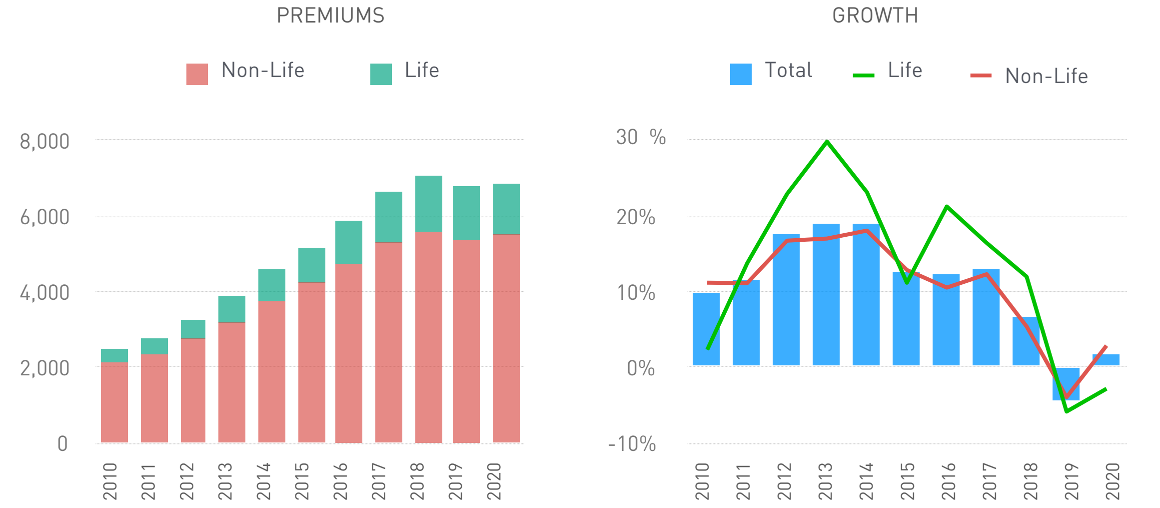
In 2020, insurance market premiums on the Nicaraguan market reached 6.89 billion cordobas (200 million dollars), entailing an increase of 1.8% in nominal terms and a -1.8% drop in real terms compared to the previous year (see Table 3.1.5).

As Chart 3.1.5-b shows, the Nicaraguan insurance market in 2020 improved slightly compared to 2019, although this improvement was still far from the growth seen in previous years.

From the market segment standpoint, the Life business represented 19.3% of the total, down -2.8% (compared to a -5.8% drop the previous year), reaching 1.33 billion cordobas (39 million dollars). Non-Life lines grew 3%, however, recovering from the -3.8% drop in 2019, reaching 5.56 billion cordobas (161 million dollars). With regard to the two largest modalities in the Non-Life segment, Fire performed positively, while Auto performed negatively, with the former increasing 5.4% and the latter falling -6.2%. Following these lines, the third largest line of business – "Other Lines" – saw favorable performance with a nominal growth of 5.2% and 1.4% in real terms.

This entailed 1.8% total growth for the Nicaraguan insurance market (in contrast with the -4.2% decrease in 2019). The Life segment contributed negatively to total growth with -0.6 pp, so growth was due to the 2.4 pp contribution from Non-Life insurance (see Chart 3.1.5-c).

Chart 3.1.5-b
Nicaragua: Growth Developments in the Insurance Market
(premiums, millions of cordobas; annual nominal growth rates, %)



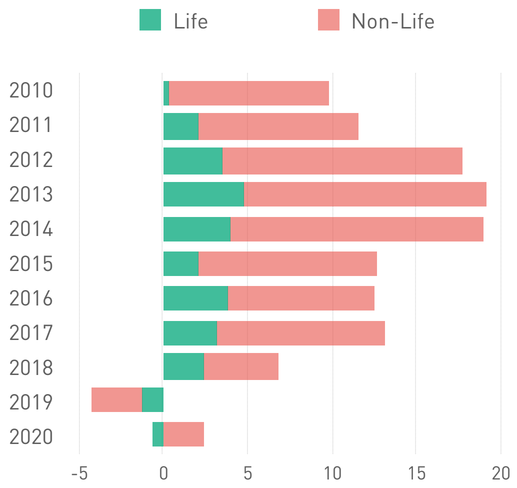
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Table 3.1.5
Nicaragua: Premium Volume[1] by Line, 2020

Line	Millions of cordobas	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**6,888**	**200**	**1.8**	**-1.8**
Life	**1,329**	**39**	**-2.8**	**-6.2**
Non-Life	**5,559**	**161**	**3.0**	**-0.7**
Auto	1,230	36	-6.2	-9.5
Fire and allied lines	1,896	55	5.4	1.6
Other lines	1,421	41	5.2	1.4
Health	431	13	4.9	1.1
Personal accident	169	5	-3.7	-7.2
Credit and/or surety	101	3	0.5	-3.1
Transport	129	4	22.0	17.7
Third-party liability	182	5	25.1	20.7

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)
1/ Net written premiums

Chart 3.1.5-c
Nicaragua: Contribution to Insurance Market Growth
(percentage points, pp)



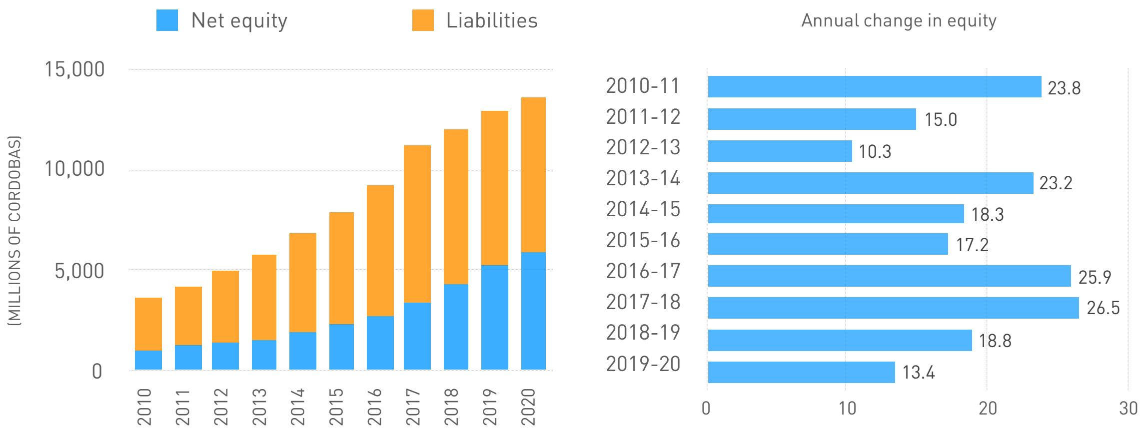
	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	9.9	0.4	9.5
2011	11.6	2.0	9.5
2012	17.7	3.5	14.3
2013	19.1	4.7	14.4
2014	19.0	4.0	15.0
2015	12.6	2.0	10.6
2016	12.5	3.8	8.7
2017	13.2	3.1	10.0
2018	6.8	2.4	4.4
2019	-4.2	-1.2	-3.1
2020	1.8	-0.6	2.4

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Balance Sheet and Shareholders' Equity

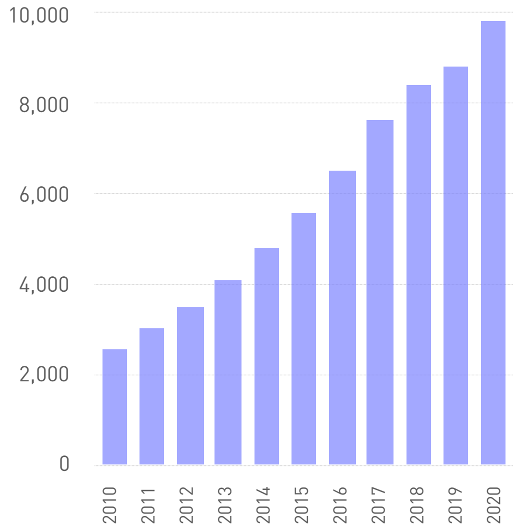
Chart 3.1.5-d shows changes in the Nicaraguan insurance industry's aggregate balance sheet over the 2010-2020 period. Total assets amounted to 13.51 billion cordobas (387 million dollars), change in equity amounted to 5.88 billion cordobas (13.4% more than in 2019). The capitalization level in 2010 also of the Nicaraguan insurance industry, measured over total assets, was 27.9%, which gradually increased over the 2010-2020 period reaching 43.5% of total assets in late 2020.

Chart 3.1.5-d
Nicaragua: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-e
Nicaragua: Insurance Market Investments
(millions of cordobas)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

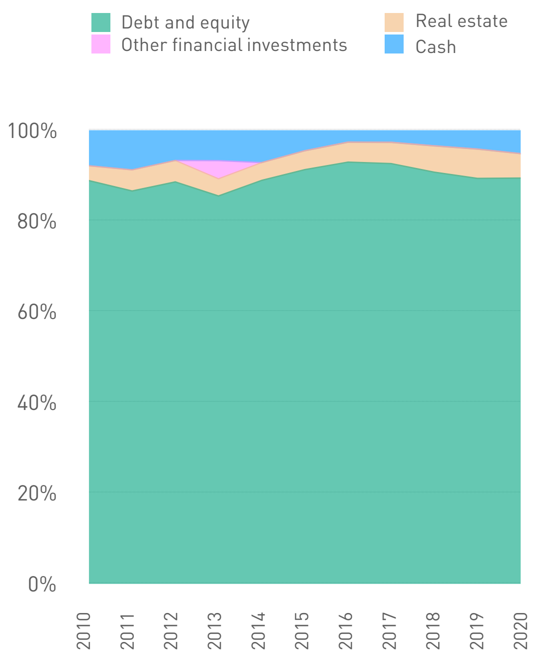
Investments

Chart 3.1.4-e shows the evolution of investments, while Charts 3.1.5-f and 3.1.5-g show the composition of the aggregate sector-level investment portfolio over the 2010-2020 period. These data indicate that total insurance industry investments in Nicaragua amounted to 9.7807 billion cordobas (280 million dollars), with 89.6% focused on debt and equity instruments, 5.1% on cash and cash equivalents, and the remaining 5.4% on real estate investments. The composition of insurance market investments in Nicaragua generally shows the dominance of investments in debt and equity instruments.

Technical provisions

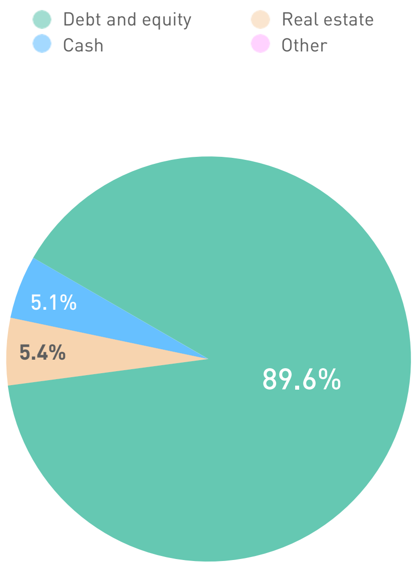
Charts 3.1.5-h, 3.1.5-i, and 3.1.5-j show the relative composition and performance of the Nicaraguan insurance industry's technical provisions over the period analyzed. In 2020, technical provisions amounted to 5.17 billion cordobas (148 million dollars). 15.1% of the total corresponded to technical provisions

Chart 3.1.5-f
Nicaragua:Structure of Investments
(%)



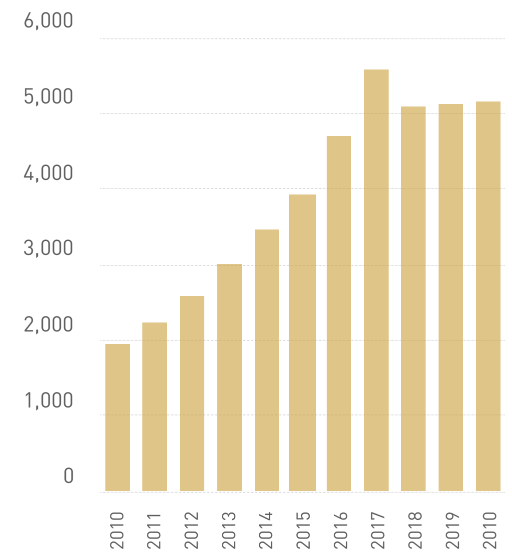
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-g
Nicaragua: Structure of Investments, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-h
Nicaragua: Technical Provisions of the Insurance Market
(millions of cordobas)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

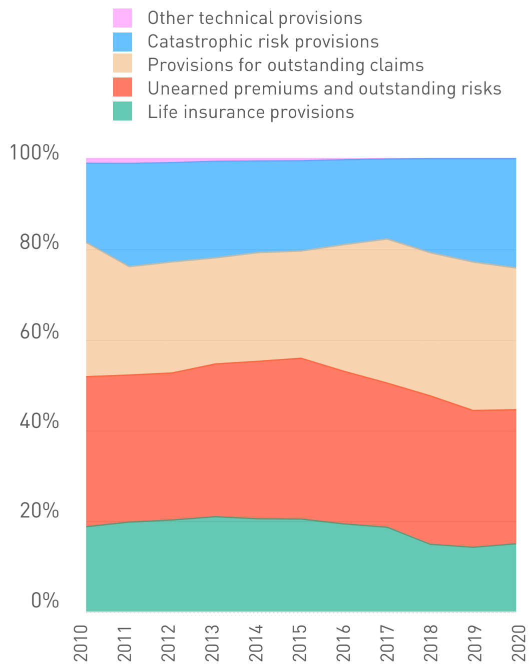
of Life insurance, 29.6% to unearned premiums and outstanding risks for Non-Life insurance, 31.3% to the provision for outstanding claims, and the remaining 24.1% to catastrophic risks.

Over the 2010-2020 period, technical provisions for both Life insurance and Non-Life insurance grew continuously in absolute terms, with this trend being disrupted in 2018 for both lines. Nevertheless, their relative share remained quite stable over the course of the entire period. The significant percentage of catastrophic risk provisions is notable, accounting for 24.1% of all provisions in 2020.

Technical performance

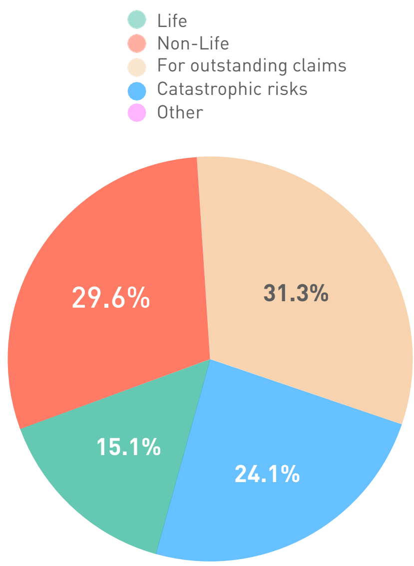
With regard to the technical performance of the Nicaraguan insurance industry, Chart 3.1.5-k shows the evolution of the industry's total combined ratio between 2010 and 2020. As these data show, the combined ratio shows that the industry's technical performance worsened 6.5 pp in 2020, reaching 97.2%, mainly due to 4.5 pp growth in the loss ratio, while

Chart 3.1.5-I
Nicaragua: Structure of Technical Provisions
(%)



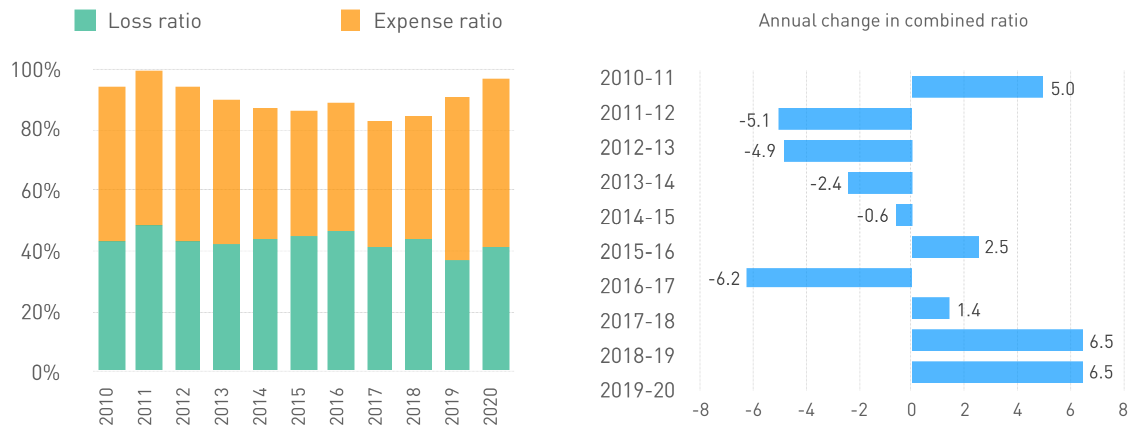
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-j
Nicaragua: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-k
Nicaragua: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



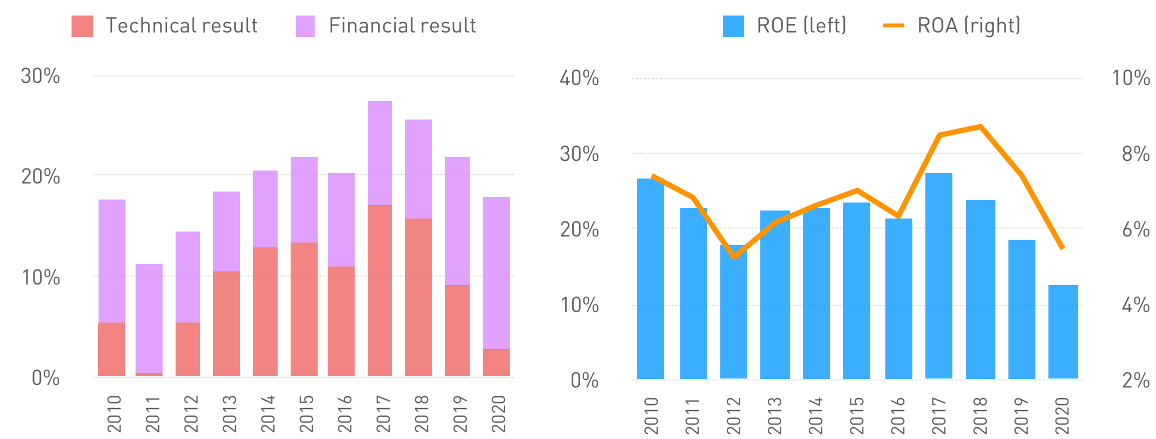
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

the expense ratio went up 2 pp to 55.8%. These data got worse both due to a rising loss ratio and decreasing premiums on the insurance market.

Results and Profitability

The net result from the Nicaraguan insurance business amounted to 739.1 million cordobas (21 million dollars) in 2020, down -22.4% from the previous year, supported by worsening technical results (see Chart 3.1.5-l). In terms of profitability, return on equity (ROE) stood at 12.6% in 2020, down -5.8 pp from 2019. A similar situation emerges from analyzing the return on assets (ROA), which amounted to 5.5% in 2020, down -1.9 pp compared to the previous year.

Chart 3.1.5-l
Nicaragua: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Generally speaking, the 2020 data points to an extension of the trend toward reduced profitability, which began in 2018, but stands at an average of about 22% for the decade.

Insurance penetration, density and depth

Chart 3.1.5-m shows the major structural trends in the Nicaraguan insurance industry in the 2010-2020 period. First, the penetration rate (premiums/GDP) was 1.7% in 2020, barely 0.1 pp above the level recorded in 2019. As can be seen, the penetration rate in the Nicaraguan market remained stagnant until 2013, at which point it began to rise, following an average trend similar to that recorded by the Latin American insurance market as a whole, until 2018, when it once again began to diverge.

Meanwhile, insurance density in Nicaragua (premiums per capita) amounted to 1,040 cordobas (30 dollars), up 0.6% year over year (1,034 cordobas). The density indicator (measured in local currency) has followed an upward path, showing a cumulative increase of 144.4% over the 2010-2020 period. Nevertheless, it is significant to note that this parameter began to fall in 2019.

Depth in the Nicaraguan market (Life insurance premiums vs. total premiums) stood at 19.3% in 2020, i.e., 4.5 pp more than in 2010 and generally in line with the trend of the Latin American market as a whole, always averaging -25 pp below the market and at absolute levels still far below the regional average (42.7% in Latin America for 2020).

Estimation of the Insurance Protection Gap

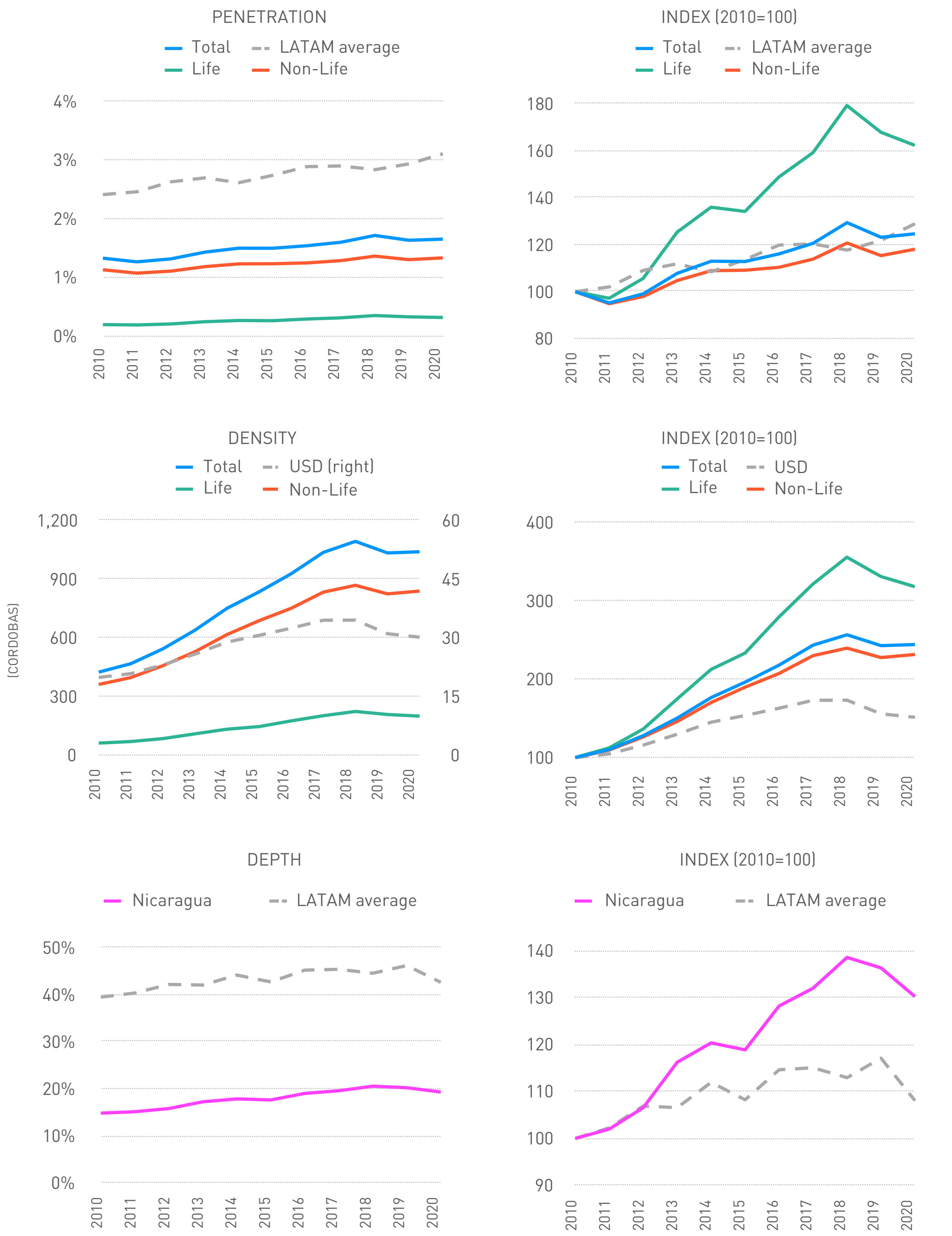
Chart 3.1.5-n shows an estimate of the IPG for the Nicaraguan insurance market between 2010 and 2020. From this information we can see that the insurance gap stood at 25.92 billion cordobas (753 million dollars) in 2020, 3.8 times the size of the actual insurance market in Honduras at the end of that year.

The structure and performance of the Nicaraguan market IPG over the period under analysis are largely attributable to the Life insurance segment, similar to most Latin American markets. Life insurance accounted for 60% (15.66 billion cordobas) of the insurance gap at year end 2020 (63% in 2019), 7.0 pp below the share for this segment in 2010. The remaining 40% of the gap is attributable to the contribution of the Non-Life insurance segment (10.27 billion cordobas). The potential insurance market in Nicaragua at year end 2020 (the sum of the actual market plus the IPG) was therefore estimated at 32.81 billion cordobas (952.5 million dollars), 4.8 times the size of the total insurance market in that year (see Chart 3.1.5-o).

Chart 3.1.5-p shows an estimate of the insurance gap as a multiple of the actual insurance market in Nicaragua. According to this metric, the IPG as a multiple of the market followed a sustained downward trend over the 2010-2020 period for both the Life insurance segment (going from 23.6 to 11.8 times) and for Non-Life insurance (going from 2 to 1.8 times), although said trend clearly no longer applied from 2019 on.

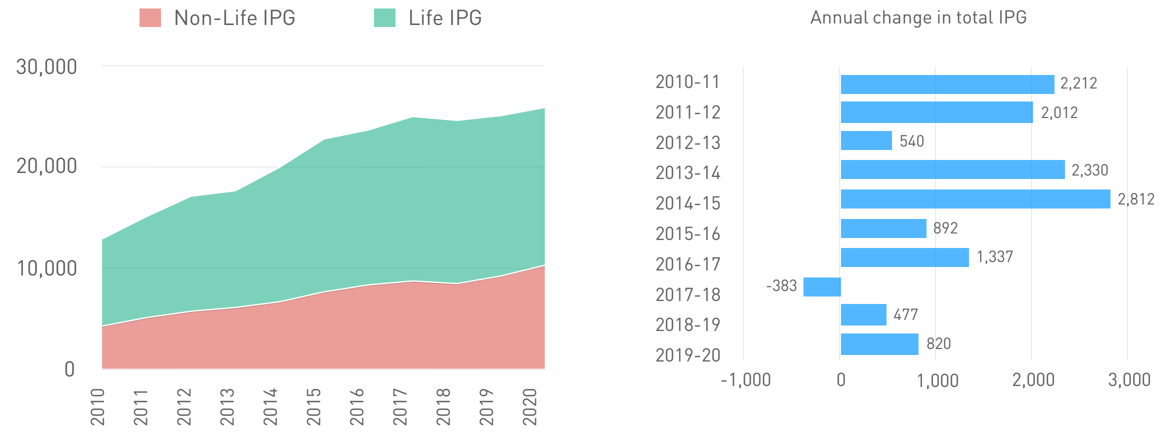
Additionally, Chart 3.1.5-q summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Nicaraguan insurance market over the last decade, comparing the situation in 2020 to that of 2010. We can see from this analysis that the market situation for the Life insurance business fundamentally improved in terms of the insurance gap as a multiple of the actual market.

Chart 3.1.5-m
Nicaragua: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, cordobas and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-n
Nicaragua: Insurance Protection Gap
(millions of cordobas)

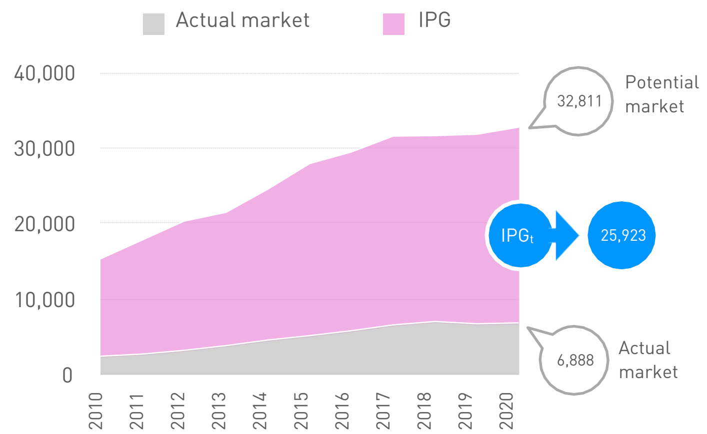


Source: MAPFRE Economics

Lastly, Chart 3.1.5-r provides a summary of the assessment of the Nicaraguan insurance market's capacity to bridge the IPG using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap estimated in 2020 over the next 10 years. The Nicaraguan insurance market grew at an average annual rate of 10.8%, which had an annual rate of 13.7% in the Life insurance segment and a 10.2% average annual rate for Non-Life insurance.

The analysis from 2019 indicated that, were the same growth rate seen over the last 10 years to continue over the next 10 years, the growth rate of the Nicaraguan insurance market would be

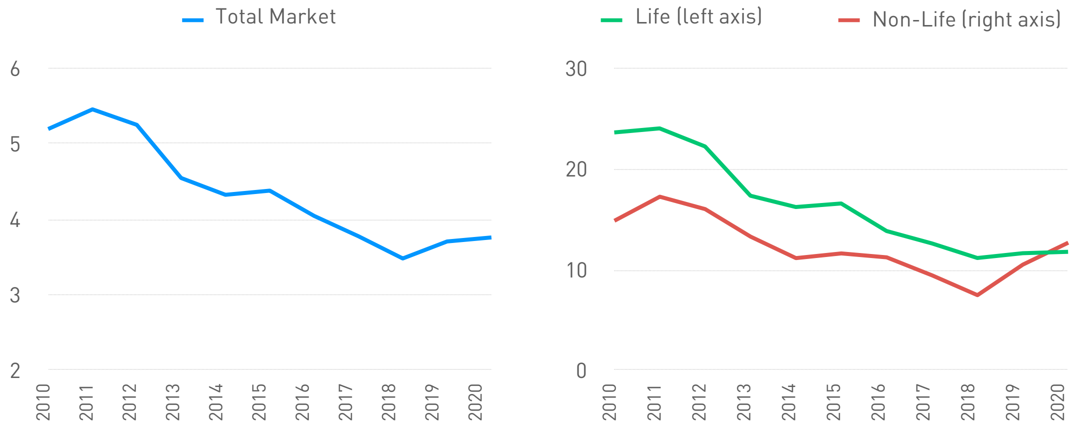
Chart 3.1.5-o
Nicaragua: Insurance Protection Gap and Potential Market
(millions of cordobas)



Variation	Actual market	IPG
2020-2010	178.0%	101.3%
2020-2019	1.8%	3.3%

Source: MAPFRE Economics

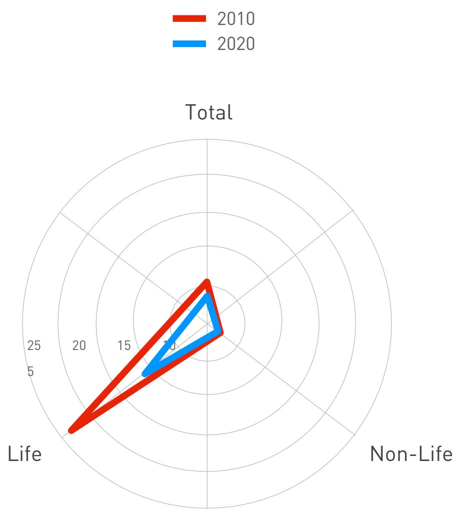
Chart 3.1.5-p
Nicaragua: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

sufficient to bridge the insurance gap in the case of Non-Life insurance, however, this changed in 2020, when the rate fell -0.9 pp short. For Life insurance, the rate would be -15.3 pp insufficient. It is worth noting that, in contrast to the 2019 analysis, the Nicaraguan market's capacity to cover the IPG continued to erode.

Chart 3.1.5-q
Nicaragua: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Market Development Index (MDI)

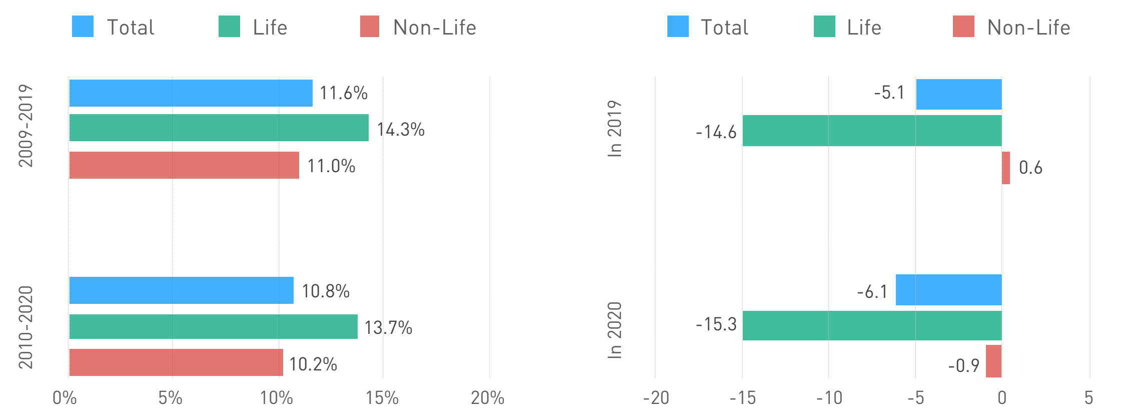
Chart 3.1.5-s provides an estimation of the Market Development Index (MDI) for the Nicaraguan insurance industry. In this case, the MDI (which is used as an indicator of the overall trend for development and maturity of insurance markets) shows a generally positive trend over the 2010-2020 period, although it slowed in the last two years in a clear divergence from the Latin American average.

As said chart shows, the trend generally followed the average for the insurance markets of Latin America with a slight divergence that was more marked in 2012, when the indicator for Nicaragua showed the largest difference with the Latin American average (-29.8%). The trend of divergence from the Latin American average that began in 2019 continued in 2020 (and grew 11.5% in 2020).

Conjoint analysis of structural coefficients

To complement this analysis, Chart 3.1.5-t summarizes the Nicaraguan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators previously analyzed.

Chart 3.1.5-r
Nicaragua: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

In this sense, the Nicaraguan market was below the average for Latin America in terms of density and depth, although the market development index was closer to the regional average. All of these components indicate the still early development of the sector in the country.

Insurance Market Rankings

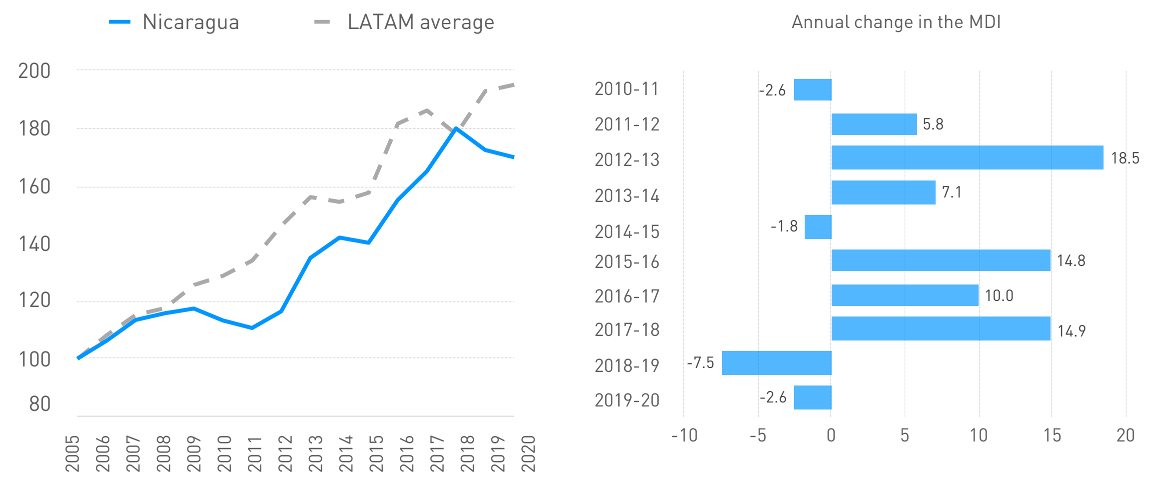
Overall ranking

The insurance industry maintained its structure in 2020 with only five insurers operating in the market.

Over the last decade there was an incredibly slight improvement in the market's high concentration levels (see Chart 3.1.5-u). The Herfindahl index throughout the 2010-2020 period was above the threshold indicating high concentration levels.

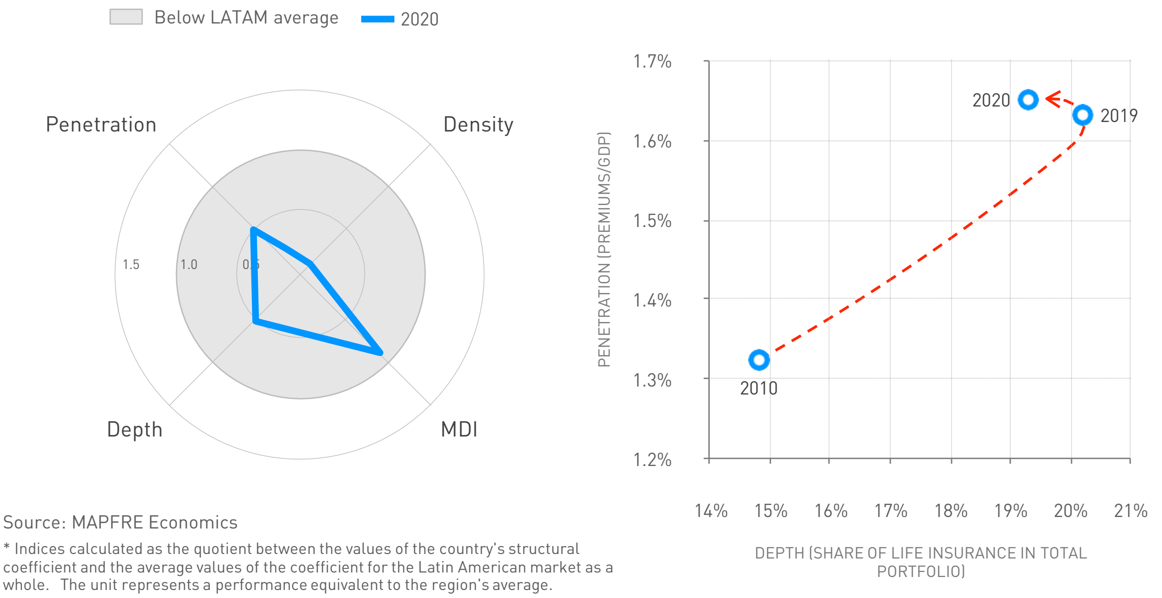
The same occurs upon analysis of the CR3 (market participation of the top three companies) for the Nicaraguan market, whose industry concentration levels dropped slightly over the period analyzed, albeit while remaining significantly high.

Chart 3.1.5-s
Nicaragua: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.1.5-t
Nicaragua: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)

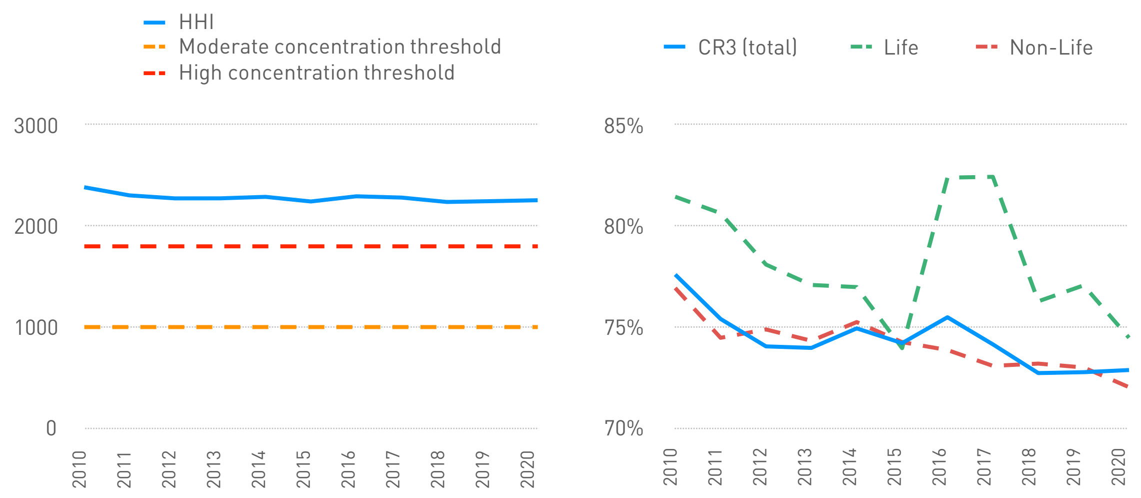


Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

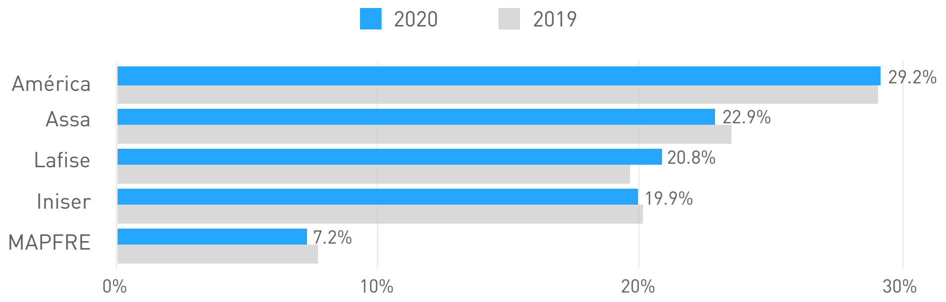
In terms of the ranking of the Nicaraguan insurance market in 2020, the company América tops the ranking with a market share of 29.2%. The next two places on the ranking are held by Assa, with 22.9%, and Lafise, with a 20.8% market share, taking third place from Iniser. MAPFRE rounds out the ranking with a 7.2% market share (see Chart 3.1.5-v).

Chart 3.1.5-u
Nicaragua: Insurance Industry Concentration
(Herfindahl index; CR3 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-v
Nicaragua: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Non-Life and Life rankings

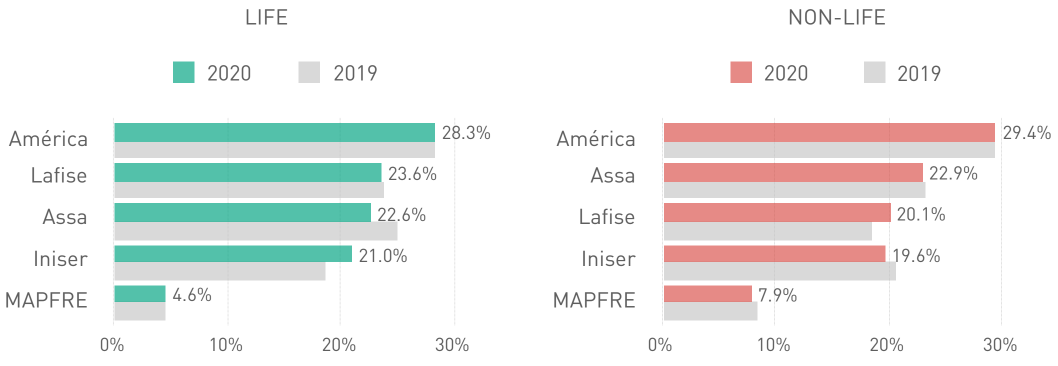
In the Non-Life ranking, the leader of the Nicaraguan market in 2020 was once again América, with a market share of 29.4%, while second and third places were held by Assa (22.9%) and Lafise (20.1%), which surpassed Iniser as occurred in the overall market. Iniser had a market share of 19.6%.

In the ranking of Life insurance companies operating in 2020, with a 23.6% market share, Lafise surpassed Assa, which fell one place as its market share dropped 2.4%. The ranking was led by América with 28.3% of the market and rounded out by MAPFRE with 4.6% (0.2% more than the previous year).

Key Regulatory Aspects

New regulatory aspects in the Nicaraguan insurance market notably include the issuing of the following regulations by the Superintendency of Banks and Other Financial Institutions, the institution responsible for overseeing insurance activity in that country. First, the Amendment Standard for Article 5 of the Standard for the Implementation of the Accounting Framework for Insurance Companies, Reinsurers, and Guarantors (CD-SIBOIF- 1219-1- DEC09-2020, published in Official Gazette No. 234 on December 17, 2020), by which insurance companies, reinsurers, and guarantors must adopt and implement everything enshrined in IFRS 17 "Insurance Contracts."

Chart 3.1.5-w
Nicaragua: Life and Non-Life
Ranking (market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Second, there was the Update Standard for Insurance Company Share Capital (CD-SIBOIF-1215-1- NOV17-2020, published in La Prensa on November 19, 2020), updating the minimum share capital required for insurance companies in the following amounts, based on the insurance group: Property & casualty insurance and mandatory insurance, minimum share capital of $64,580,000.00; Personal insurance (life, accident, personal accident, health, social security, and life annuity), a minimum share capital of $64,580,000.00; Property & casualty and mandatory insurance, as well as personal insurance, life annuity, and pensions, a minimum share capital of $129,160,000.00; bond, a minimum share capital of $16,145,000.00, and Reinsurance or backbond, a minimum share capital equal to 1.5 times the amounts established in the previous points for all of the modalities being operated.

Third, there is the Standard for the Granting of Temporary Loan Conditions (Resolution No. CD-SIBOIF-1181-1, dated June 19, 2020) created to mitigate the negative effects arising from the international health situation, and aims to establish temporary loan conditions that financial institutions will be able to grant holders of credit card debt, car loans, personal loans, mortgages, microloans, small business loans, agricultural loans, farming loans, industrial loans, and trading loans in all sectors of the economy.

Fourth, there was the Standard for the Care, Processing, and Compensation of Claims Set Out in Insurance Contracts (Resolution CD-SIBOIF-1250-1-MAY28-2021, published in Official Gazette No. 124 of July 6, 2021), establishing the primary leaders, procedures, and periods that individuals and legal entities within the scope thereof must fulfill when notifying, formalizing, processing, accepting, or rejecting a claim, as well as for payment of compensation when the claim is accepted by the insurance company.

Fifth, there was the Standard on Imposing Penalties for Failures on Transparency and Financial Service Customer and/or User Protection (Resolution CD-SIBOIF-1240-1-ABR06-2021, published in Official Gazette No. 73 of April 22, 2021), establishing the infractions and penalties applicable to financial institutions for failure to fulfill the obligations set out in Law No. 842 and the regulatory provisions and instructions of the Superintendency with regard to transparency in financial transactions.

Finally, there is the Amendment Standard for Articles 1, 3, 5, 49, and 50 of the Standard on Financial Operations (Resolution CD-SIBOIF-1240-2-ABR06-2021, published in Official Gazette No. 73 of April 22, 2021).

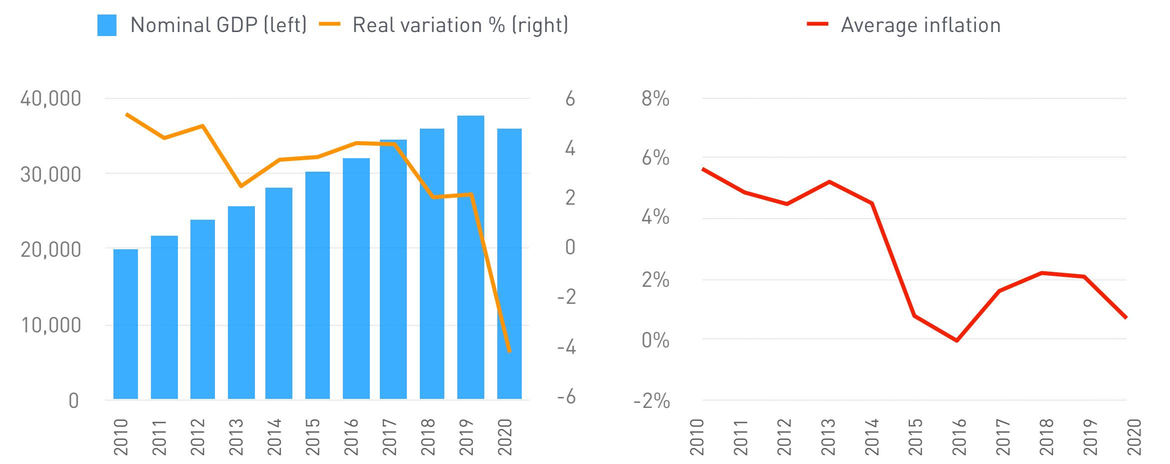
3.1.6 Costa Rica

Macroeconomic Environment

Costa Rica's economy shrank -4.1% in real terms in 2020 (vs. 2.2% growth the previous year), as a result of the effects of the measures adopted for its economy due to the pandemic (see Chart 3.1.6-a). According to ECLAC, the abrupt contraction was mainly caused by plummeting domestic demand, especially for private consumption and the collapse of tourism. Unemployment rose considerably due to the restrictions imposed, reaching 19.6% (compared to 11.8% in 2019).

According to Central American Monetary Council data, public debt amounted to 79.3% of GDP in Costa Rica at year end 2019 (73.4% in 2019) and the fiscal deficit closed the year at around 8.1%, compared to 6.7% the previous year, exacerbating the issue of public accounts, the primary vulnerability of the Costa Rican economy given the magnitude of this sum and the high interest on it. The government approved a number of expansionary fiscal aid measures for low-income people and aid for companies to offset the effects of the situation caused by the pandemic on its economy, losing ground in the progress made with the tax reform approved in 2018. The Tax Ministry had to take international loans to meet its budget needs.

Chart 3.1.6-a
Costa Rica: Changes in Economic Growth and Inflation
(GDP in local currency, billions of colones; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

These loans included a rapid disbursement from the International Monetary Fund in the amount of 521.7 million dollars, another from the Inter-American Development Bank for 434 million dollars, and a third from the Development Bank of Latin America (CAF) for 538 million dollars.

With inflation under control and unemployment on the rise as a result of the major contraction of the economy, the central bank deepened the already expansionary policy in place prior to the pandemic. It lowered the monetary policy benchmark three times going from 2.75% to 0.75%, coming on the heels of the seven rate cuts made the previous year (from 5.25% to 2.75%). The average inflation rate reached 0.7% in 2020 (compared to 2.1% in 2019), significantly under the central bank's target of 3% (with a tolerance range of one percentage point on either side). The average exchange rate in 2020 stayed at a similar level compared to the previous year, although the exchange rate depreciated 7.3% compared to the rate at year end 2019.

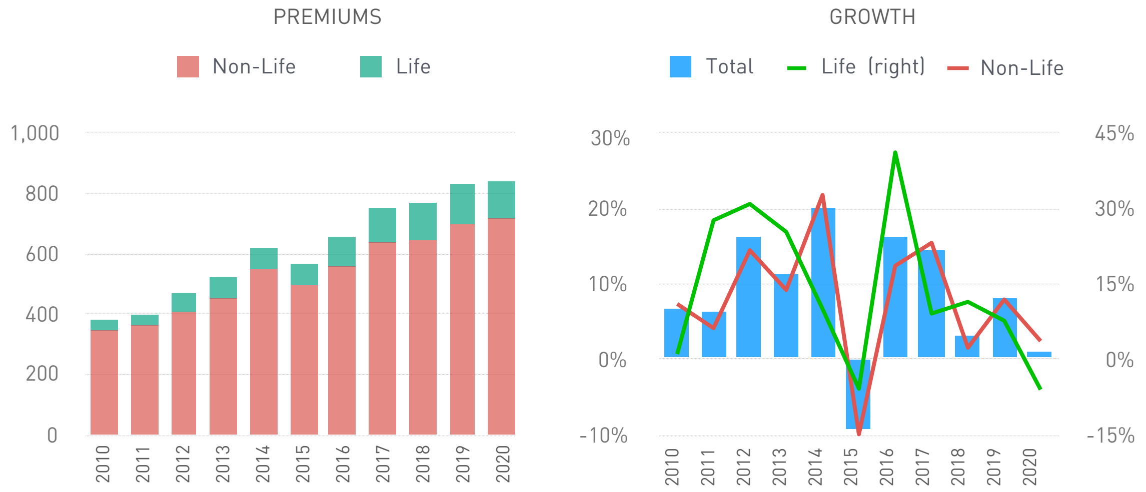
In terms of foreign industry, despite falling imports, the balance of payments current account saw losses of 2.2% of GDP, a deficit similar to the one from the previous year. ECLAC forecasts partial recovery of the Costa Rican economy in 2021 with estimated GDP growth of around 3.7% based on the recovery of consumption and foreign demand.

Insurance Market

Growth

Premium volume in the Costa Rican insurance market amounted to 841.87 billion colones (1.44 billion dollars) in 2020, reflecting nominal growth of 1.1% and real growth of 0.4% year over year (see Table 3.1.6 and Chart 3.1.6-b). The Costa Rican market grew 8.5% on average over the last five years after the drop recorded in 2015 (-9.4%), when the National Insurance Institute of Costa Rica (the insurance company with the largest market share) changed the way premiums were accounted for to adapt to the applicable regulations in 2015. However, these modifications make it more difficult to compare statistical data for 2015 onward with data for previous years, both in terms of revenue per premium and in terms of the balance sheet and income statements.

Chart 3.1.6-b
Costa Rica: Growth Developments in the Insurance Market
(premiums, billions of colones; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

As Chart 3.1.6-b shows, Life insurance premiums, which make up 14.9% of the total, fell -6.0% in 2020 in nominal terms to 125.50 billion colones (214.5 million dollars), while Non-Life premiums went up 2.4% to 716.37 billion colones (1.22 million dollars).

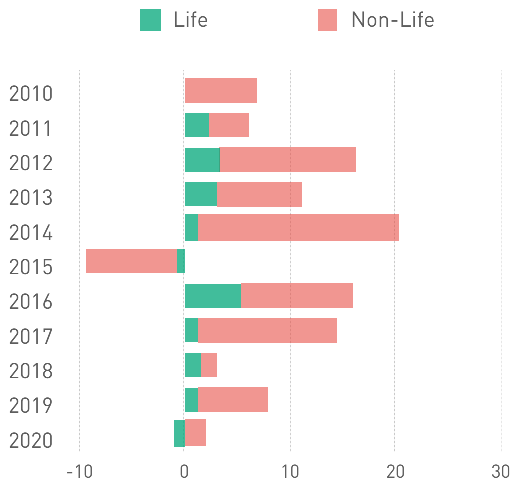
In 2020, Non-life segments grew overall, but were burdened by drops in Auto (-2%) Workplace accidents (-11.4%), and Transport (-5.5%). Other lines (19.7%), Credit and surety (70.6%), Agriculture and livestock (88.8%), Third-party liability (6.4%), Accident and health (10.5%), and Fire (12.1%) went up.

Table 3.1.6
Costa Rica: Premium Volume[1] by Line, 2020

Line	Millions of colones	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**841,870**	**1,439**	**1.1**	**0.4**
Life	**125,503**	**214**	**-6.0**	**-6.6**
Non-Life	**716,367**	**1,224**	**2.4**	**1.7**
Auto	228,025	390	-2.0	-2.7
Fire and allied lines	103,263	176	12.1	11.3
Accident and health	143,040	244	10.5	9.7
Other lines	59,919	102	19.7	18.8
Transport	10,462	18	-5.5	-6.2
Third-party liability	19,115	33	6.4	5.6
Credit and surety	11,108	19	70.6	69.4
Agriculture and livestock	242	0	88.8	87.4
Workplace accidents	141,194	241	-11.4	-12.0

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)
1/ Gross premium (direct insurance plus accepted reinsurance)

Chart 3.1.6-c
Costa Rica: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Non-Life
2010	6.8	0.1	6.7
2011	6.2	2.4	3.8
2012	16.2	3.3	12.9
2013	11.1	3.0	8.1
2014	20.2	1.4	18.8
2015	-9.4	-0.7	-8.7
2016	16.1	5.3	10.8
2017	14.5	1.4	13.0
2018	3.0	1.7	1.3
2019	7.9	1.2	6.7
2020	1.1	-1.0	2.0

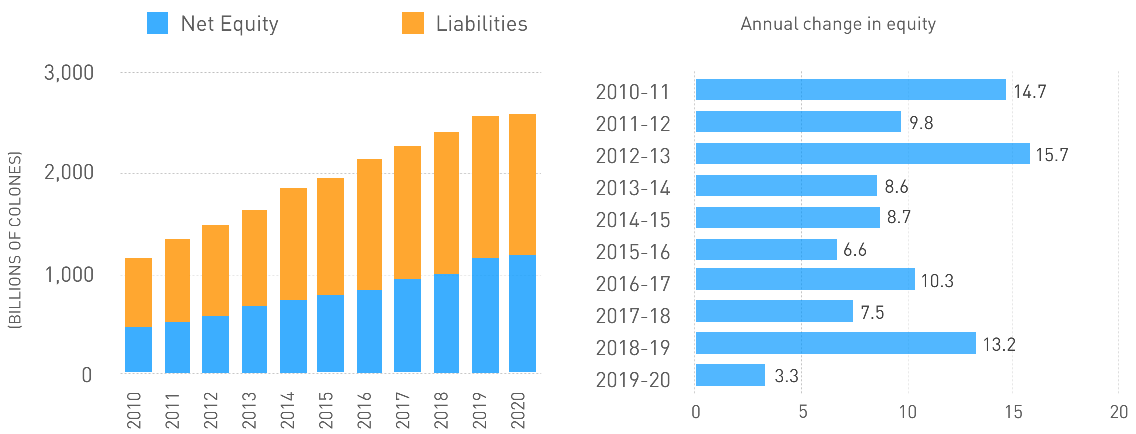
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

As Chart 3.1.6-c confirms, the biggest contribution to the Costa Rican insurance industry came from the Non-Life insurance segment. This segment contributed 2.0 pp over the sector's 1.1 pp growth in 2020; Life insurance, in turn, negatively contributed -1 pp.

Balance Sheet and Shareholders' Equity

Chart 3.1.6-d shows the aggregate balance sheet of the Costa Rican insurance industry over the 2010-2020 period. These data indicate that total assets rose 2.58 trillion colones (4.20 billion dollars) in 2020, while equity

Chart 3.1.6-d
Costa Rica: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



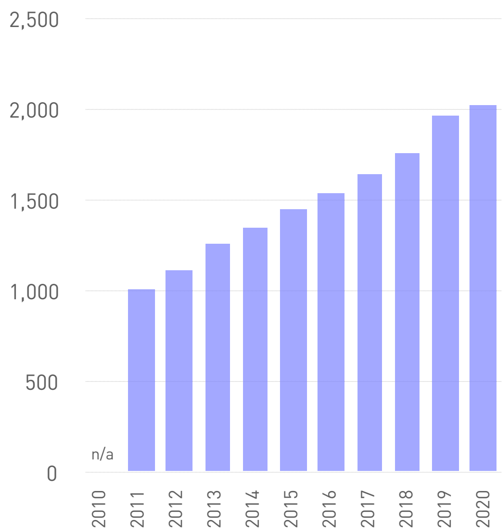
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

stood at 1.19 trillion colones (1.93 billion dollars), up 3.3 pp from the previous year. The Costa Rican insurance industry maintained aggregate capitalization levels (measured over total assets) of around 42% over the last decade, reaching 46.0% of total assets in 2020.

Investments

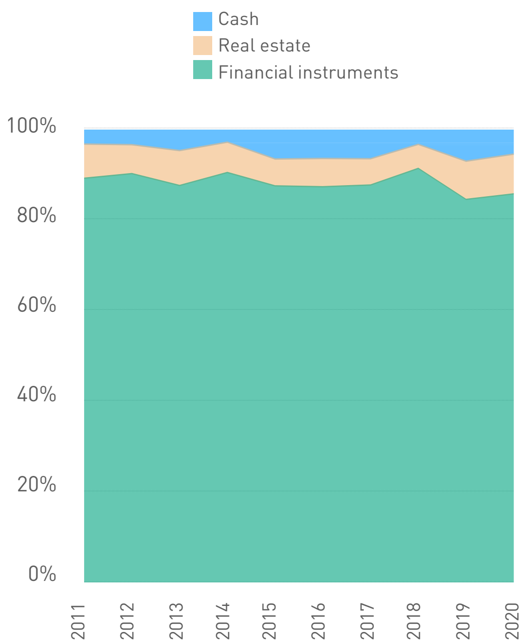
Chart 3.1.6-e shows the evolution of investments, while Charts 3.1.6-f and 3.1.6-g show the composition of the aggregate investment portfolio by sector for the insurance industry over the course of the 2011-2020 period. Investment totaled 2.03 trillion colones (3.31 billion dollars) last year, with 85.7% concentrated in financial instruments, 5.5% in cash and cash equivalents and 8.8% in real estate. Over the 2011-2020 period, investment structure for the Costa Rican insurance industry did not show any major changes, with investments in financial instruments prevailing over cash, cash equivalents and real estate.

Chart 3.1.6-e
Costa Rica: Insurance Market Investments
(billions of colones)



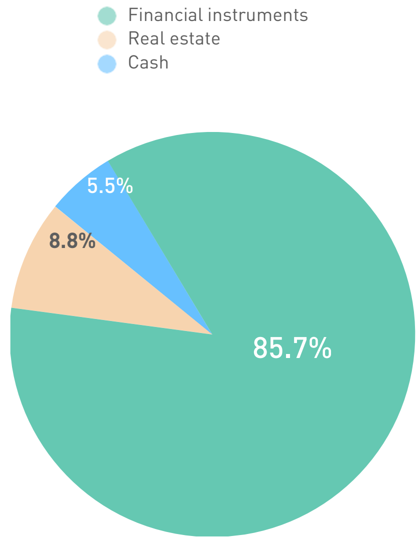
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-f
Costa Rica: Structure of Investments
(%)



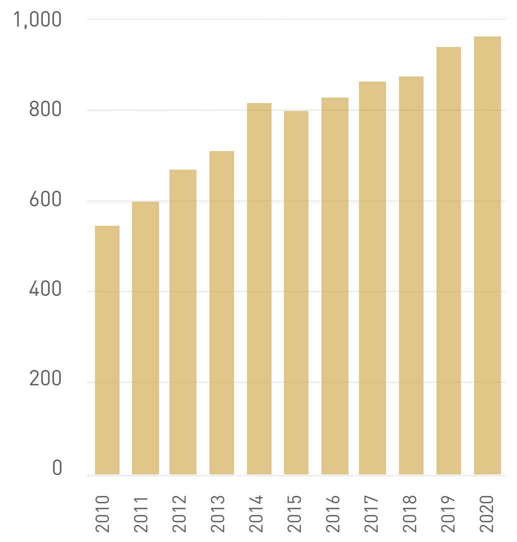
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-g
Costa Rica: Structure of Investments,2020
(%)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-h
Costa Rica: Technical Provisions of the Insurance Market
(billions of colones)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Technical provisions

Chart 3.1.6-h shows changes in the technical provisions of the Costa Rican insurance industry between 2010 and 2020. According to these data, technical provisions in 2020 were 964 billion colones (1.57 billion dollars), in contrast with the 546 billion colones (1.06 billion dollars) reached in 2010. It is important to note that technical provisions constituted by the Costa Rican insurance industry saw sustained growth in aggregate terms over the course of the 2010-2020 period, notably spiking in 2014.

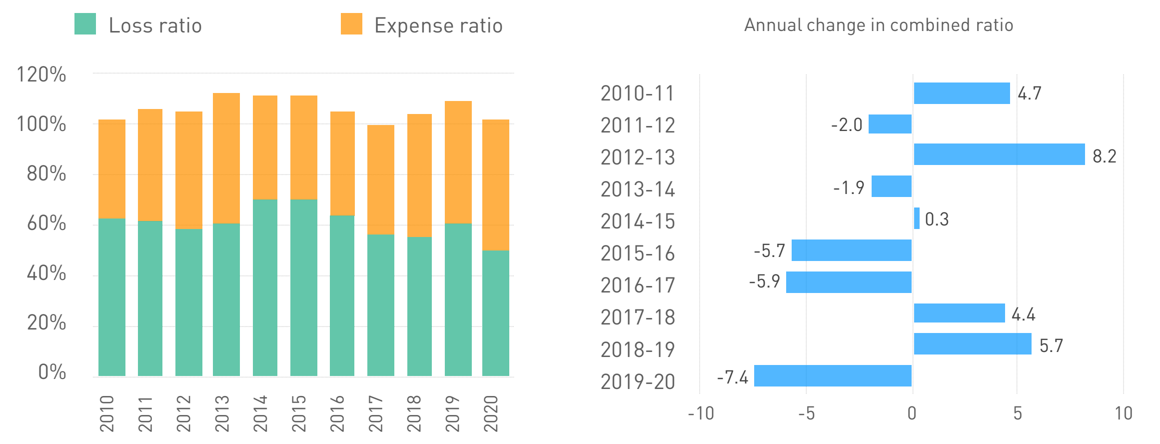
Technical performance

Chart 3.1.6-i shows the technical performance of the Costa Rican insurance industry over the 2010-2020 period. This period notably included a surge in the loss ratio in 2014 and 2015 when it peaked (69.9%), while it fell 11 pp in 2020 to 49.9%. The expense ratio grew 3.58 pp to 52.3%, so the combined ratio remained over 100%, dropping 7.4 pp to 102.2.

Results and Profitability

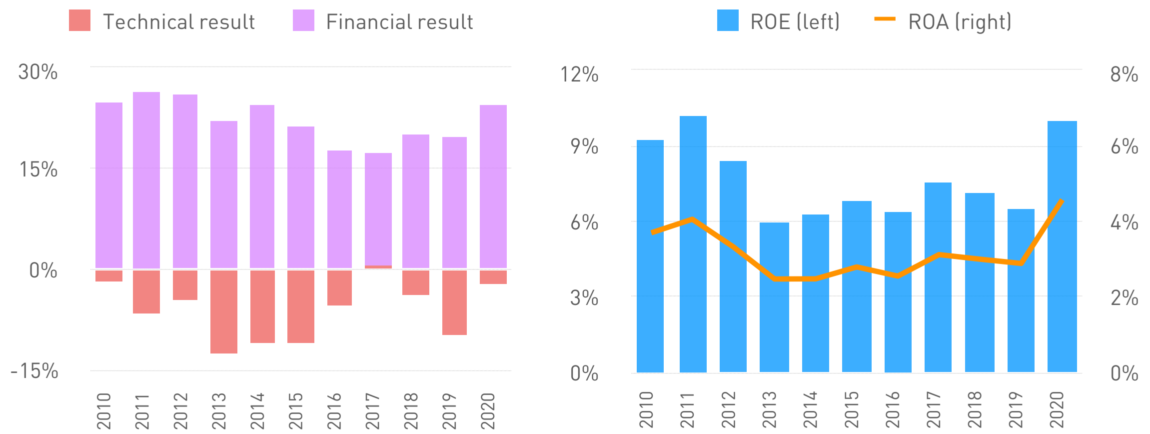
The Costa Rican insurance industry's 2020 net result was 118.2 billion colones (202 million dollars); the financial result remained highly satisfactory at 24.3% for premiums while the technical result, as forecasted by the combined ratio, remained negative (-14.43 billion colones) in this period, although it improved compared to 2019 (see Chart 3.1.6-j). In terms of profitability, indicators have shown a growing trend from 2013 onward, except in 2019. Return

Chart 3.1.6-i
Costa Rica: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-j
Costa Rica: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

on equity (ROE) improved notably, standing at 10.0% in 2020, up 3.5 pp vs. 2019. The same occurred with return on assets (ROA), which reached 4.6% in 2020, up 1.7 pp from the previous year.

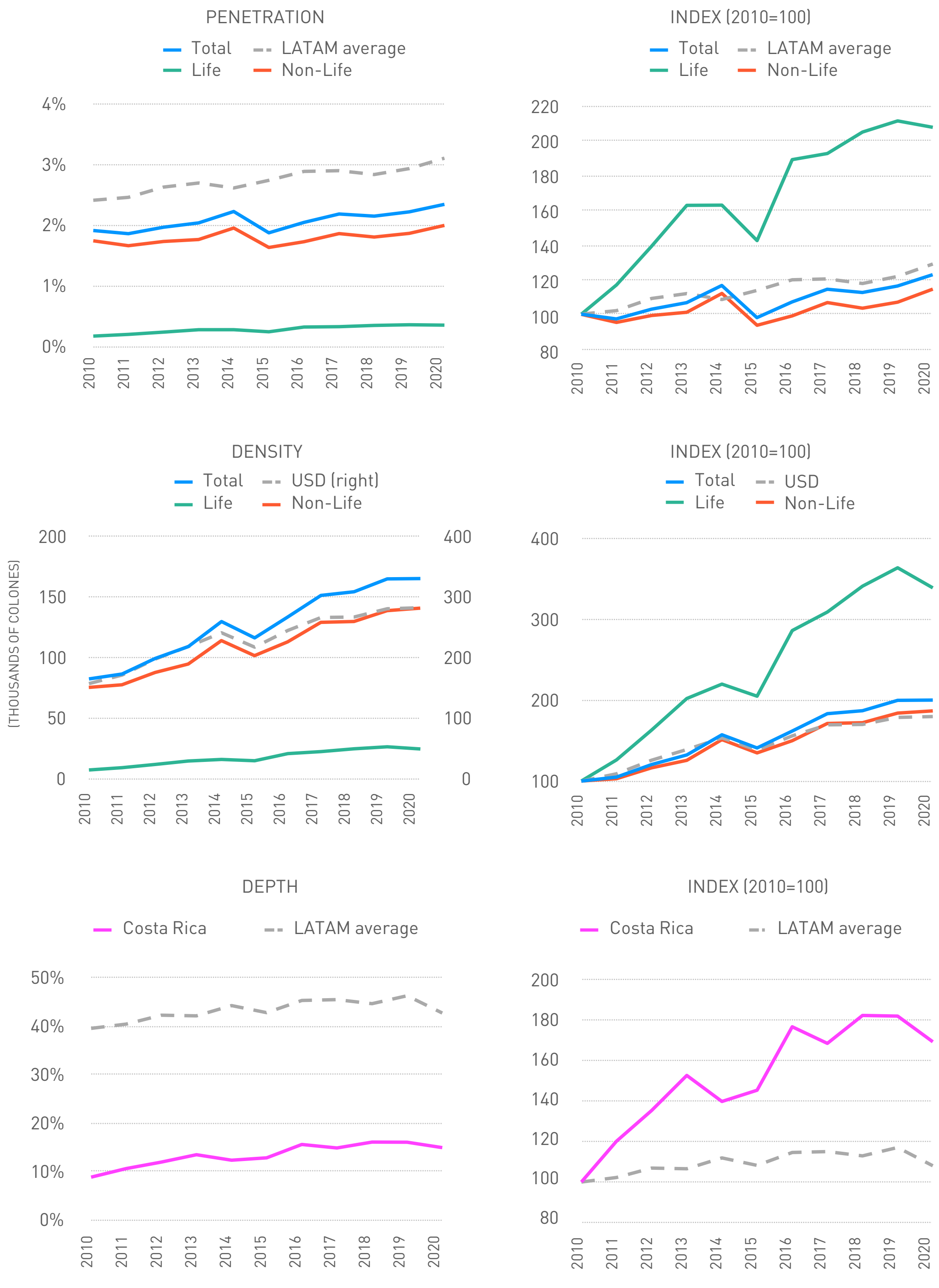
Insurance penetration, density and depth

Chart 3.1.6-k shows the main structural trends shaping the development of the Costa Rican insurance industry over the 2010-2020 period. The 2020 penetration rate (premiums/GDP) was 2.3%, showing a 0.4 pp increase over the last decade and a slight upturn compared to the previous year. Notably, the penetration rate in the Costa Rican market followed an upward trend, though it was less dynamic in the last few years than it was for Latin American insurance markets as a whole and below averages in absolute terms in Latin America.

In terms of insurance density in Costa Rica (premiums per capita), the indicator reached 165,263 colones (282 dollars), up 0.2% from 2019 (165,000 colones). Costa Rican market density (measured in local currency) generally followed an upward trend over the course of the 2010-2020 period, except in 2015 when the market premium volume dropped -9.4%, essentially due to the effects of a change to premium accounting standards discussed previously in this section of the report.

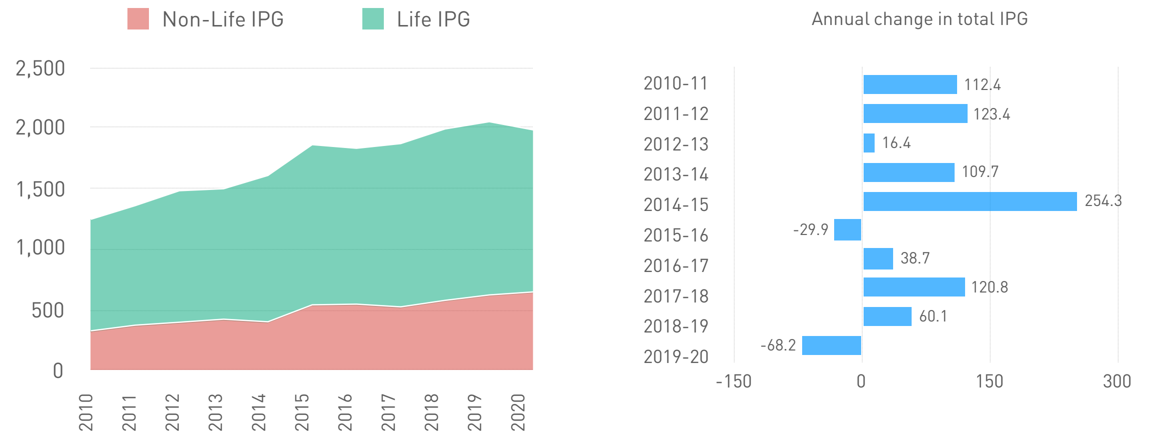
The depth rate in the Costa Rican insurance market (Life insurance premiums vs. total premiums) in 2020 stood at 14.9%, 6.1 pp above the value reached in 2010. It grew over the analyzed period at a rate similar to the average indicator for Latin American countries as a whole, albeit consistently below said average. The impact on this indicator arising from the drop in the Life business in 2020 seems to break this trend, though it was an unusual year due to the pandemic's effect on the economy and the insurance industry so we will need to wait for the indicators for the next few years to draw conclusions in this regard.

Chart 3.1.6-k
Costa Rica: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, colones and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-l
Costa Rica: Insurance Protection Gap
(billions of colones)



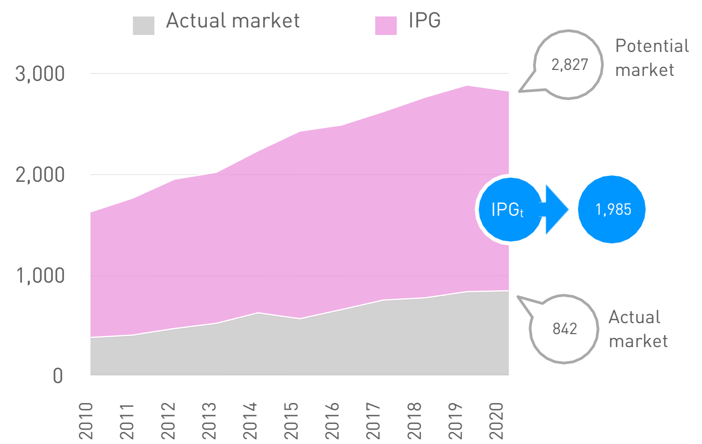
Source: MAPFRE Economics

Estimation of the Insurance Protection Gap

Chart 3.1.6-l provides an estimation of the IPG for the Costa Rican insurance market between 2010 and 2020. These data show that the insurance gap stood at 1.99 trillion colones in 2020 (3.39 billion dollars).

Life insurance is largely responsible for the structure and performance of the IPG in the 2010-2020 period. At the end of 2020, Life insurance accounted for 67.4% of the IPG (1.34 trillion colones), down -6.6 pp on the contribution of that segment in 2010. The remaining 32.6% of the IPG is attributable to the Non-Life insurance segment (647 billion colones).

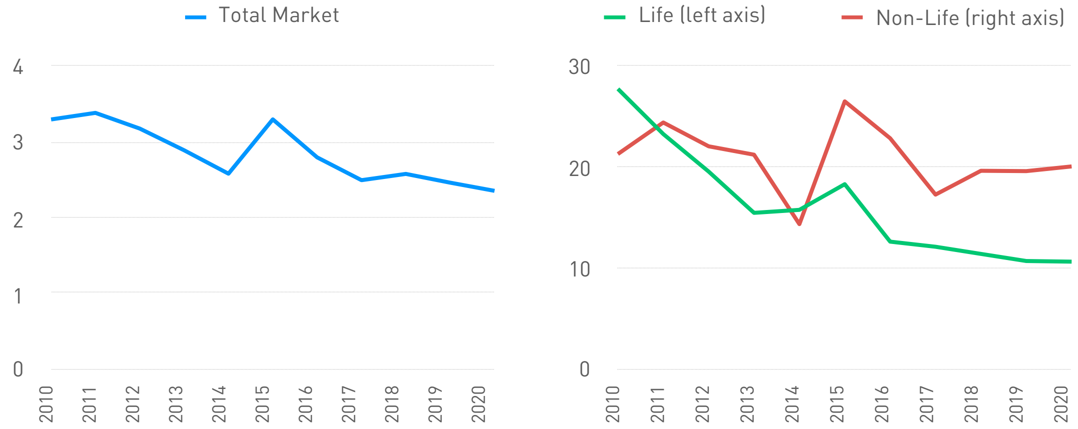
Chart 3.1.6-m
Costa Rica: Insurance Protection Gap and Potential Market
(billions of colones)



Variation	Actual market	IPG
2020-2010	122.9%	59.1%
2020-2019	1.1%	-3.3%

Source: MAPFRE Economics

Chart 3.1.6-n
Costa Rica: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Thus, as Chart 3.1.6-m shows, the potential insurance market in Costa Rica at year end 2020 (estimated as the sum of the actual market and the insurance gap) amounted to 2.827 trillion colones (4.832 billion dollars), representing 3.4 times the total insurance market in 2020, while it was 3.5 times in 2019.

As Chart 3.1.6-n shows, the insurance gap measured as a multiple of the actual market followed a stable trend for the Non-Life segment (staying at a multiple around 1), while the IPG corresponding to the Life insurance shows a downward trend for the period under analysis (going from 27.8 to 10.7 times the actual market).

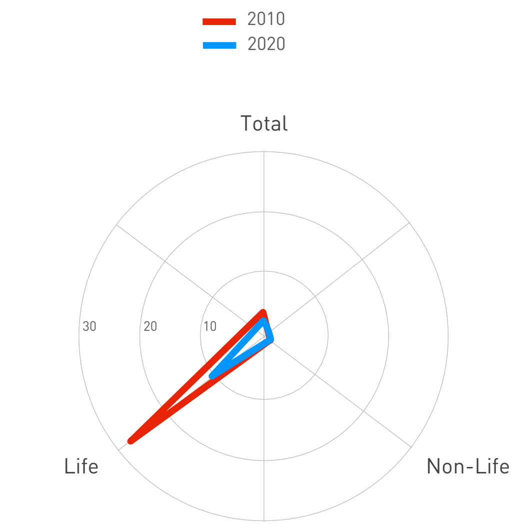
Chart 3.1.6-o summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Costa Rican insurance market over the last decade, comparing the situation in 2020 with that of 2010. These data make it clear that the Life insurance business has seen the biggest improvement in the insurance gap.

Chart 3.1.6-p provides a summary of the assessment of the Costa Rican insurance market's capacity to bridge the insurance gap.

As indicated above, to calculate this, a comparative analysis is done between the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap estimated in 2020 over the next 10 years.

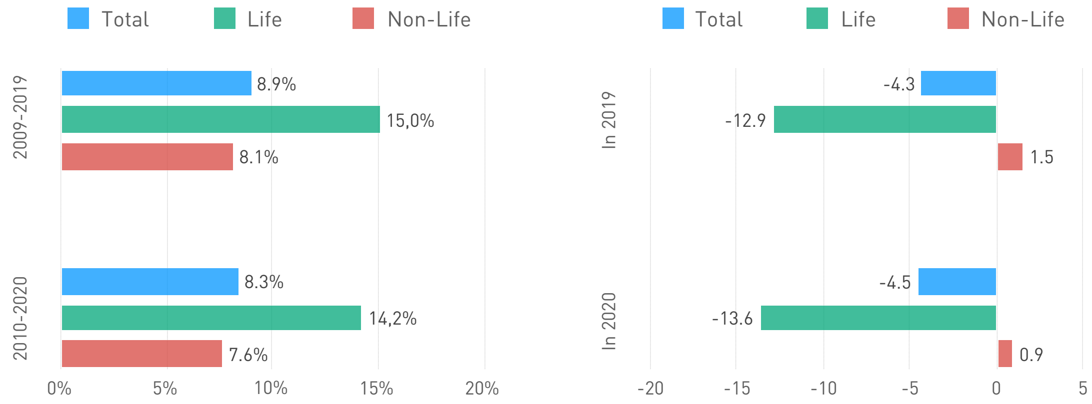
This analysis demonstrates that the Costa Rican insurance market grew at an average annual rate of 8.3% over the course of the

Chart 3.1.6-o
Costa Rica: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.1.6-p
Costa Rica: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



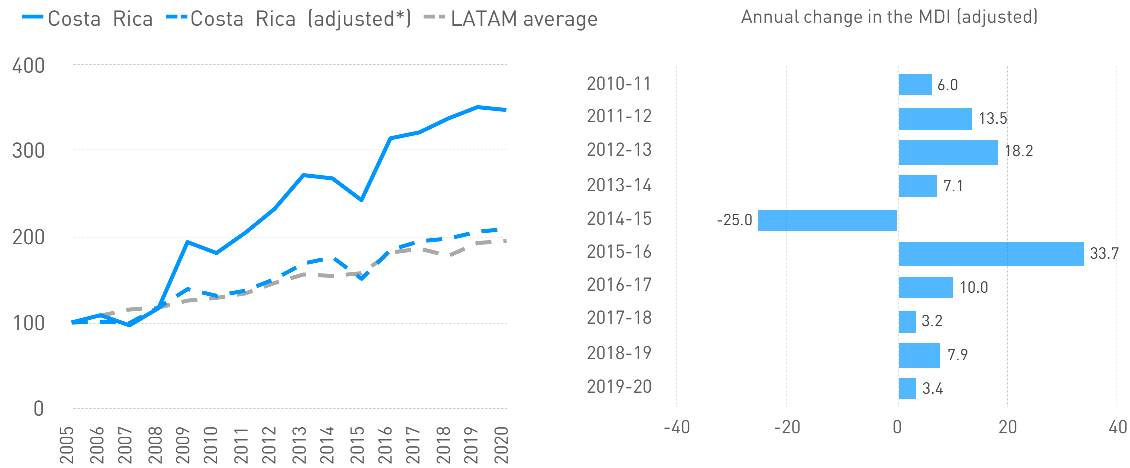
Source: MAPFRE Economics

period under analysis, which had an annual rate of 14.2% in the Life insurance segment and a 7.6% average annual rate for Non-Life insurance. Were the same growth rate seen over the last 10 years to continue over the next 10 years, the growth rate of the Costa Rican insurance market would be sufficient to bridge the insurance gap in the Non-Life insurance segment, but insufficient for Life insurance.

Market Development Index (MDI)

Chart 3.1.6-q shows an update of the estimate of the Market Development Index (MDI) for the Costa Rican insurance industry. The MDI is used in this report as an indicator of general trends shaping the performance and maturity of insurance markets. In the particular case of the Costa Rican insurance industry, the

Chart 3.1.6-q
Costa Rica: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics
* Adjustment to eliminate overestimation in the speed to close the Life IPG

MDI has shown a positive trend over the period under analysis. However, it is important to note that this trend could be overestimated considering the rapid growth of the Life insurance market, which started from a very small base in 2005. Chart 3.1.6-q therefore also shows an adjustment to eliminate this overestimation and present the underlying trend in this market's performance more accurately. After the respective adjustment, the Costa Rican insurance market proves to have performed in line with the average development of the region's markets and always performed above the regional average, except in 2015.

Conjoint analysis of structural coefficients

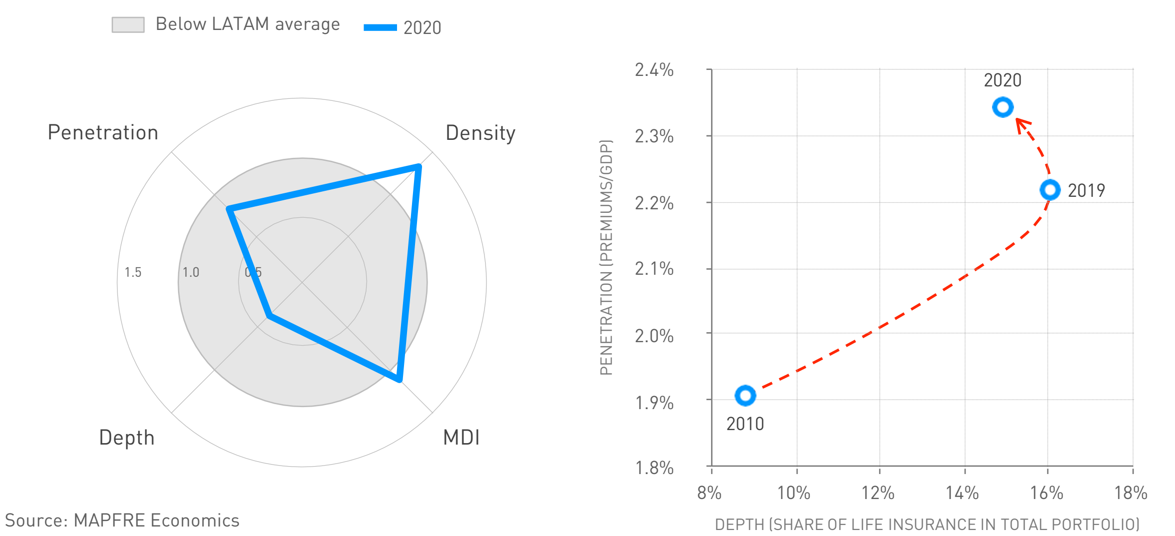
Lastly, Chart 3.1.6-t summarizes the Costa Rican insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed. In this sense, it is in a unique position as it is under the Latin American average in terms of penetration and especially depth, but not in terms of density and the market development index, which were above the regional average, more significantly so in the case of density. This relative comparison reveals the low level of development in the Life business within the Costa Rican market compared to the region overall region, while also showing the growth potential of this insurance activity segment in the country.

Insurance Market Rankings

Overall ranking

There were 13 insurance companies operating in Costa Rica in 2020, the same as the previous year. This market only opened up to competition in 2008 and remains highly concentrated, with a single company (Instituto Nacional de Seguros or INS) accounting for the majority of all premiums. Chart 3.1.6-s shows the Herfindahl and CR5 indices for the Costa Rican insurance industry. As these data indicate, concentration levels were far above the threshold indicating high market concentration, albeit with a downward trend that in the medium term could bring the insurance market to higher competition levels.

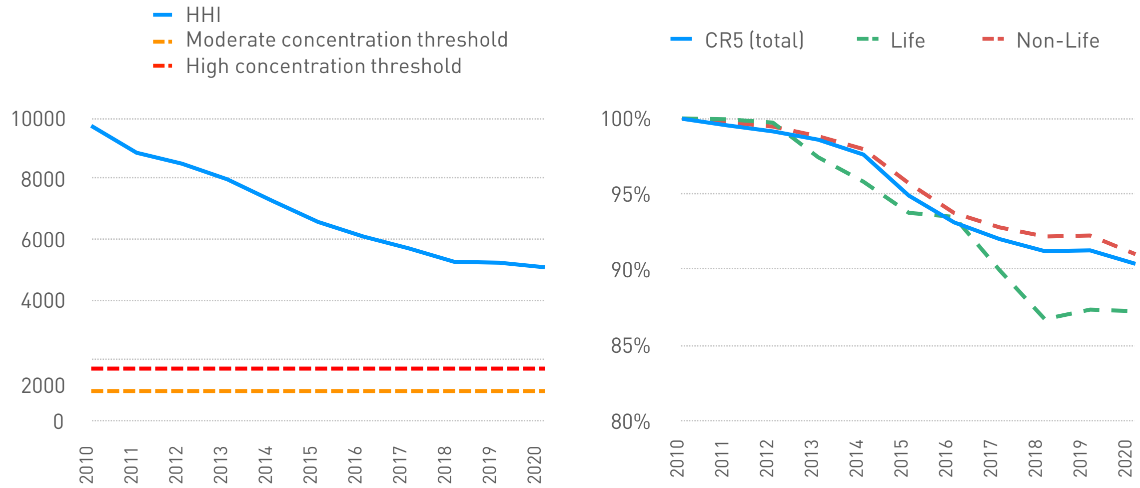
Chart 3.1.6-r
Costa Rica: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2019-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

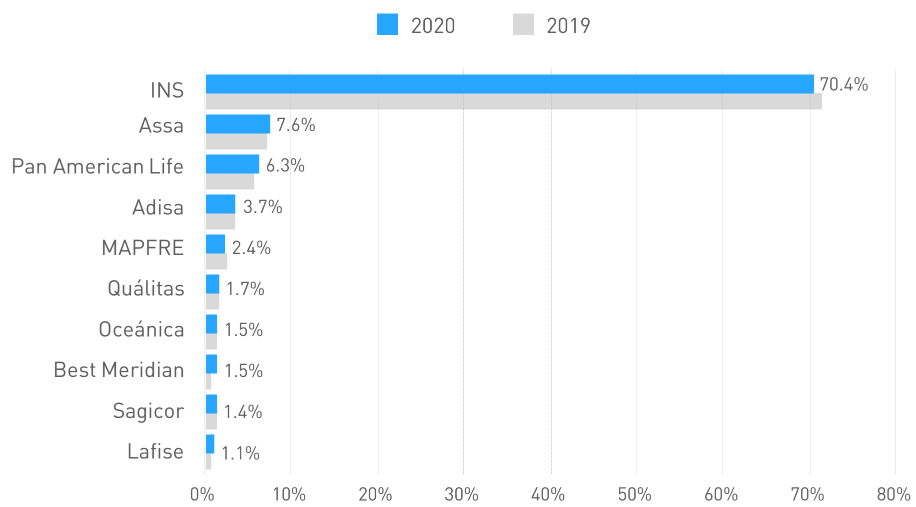
Chart 3.1.6-s
Costa Rica: insurance industry concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

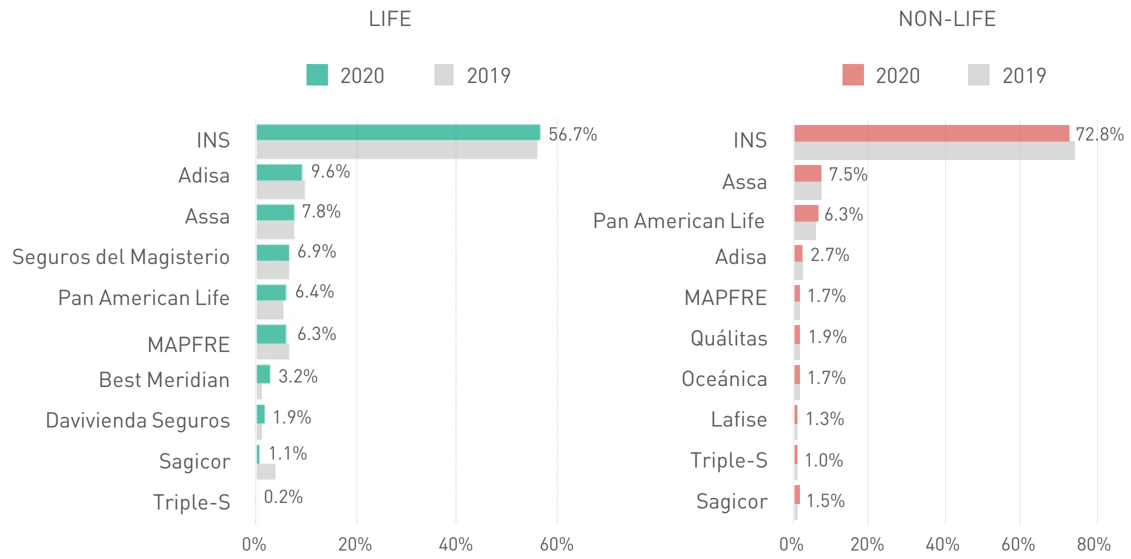
The top seven groups on the 2020 Costa Rican insurance market ranking remained the same as in 2019. The ranking continues to be led by the INS, with 70.4% of the market share, with Assa in a distant second (7.6%), Pan American Life (6.3%), Adisa (3.7%), and MAPFRE (2.4%). Seguros el Magisterio fell out of the top ten in the overall ranking, and Best Meridian Insurance took its place in eighth after climbing three places compared to the previous year. Sagicor dropped one place as shown in Chart 3.1.6-t.

Chart 3.1.6-t
Costa Rica: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-u
Costa Rica: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Non-Life and Life rankings

The Non-Life group ranking did not see any change in position and was yet again led by INS, with a market share of 72.8%. Assa (7.5%), Pan American Life (6.3%), Adisa (2.7%), and MAPFRE (1,7%) distantly followed. INS was also the top Life insurance company on the Costa Rican market with a market share of 56.7%, followed by Adisa (9.6%), which held onto second place, Assa (7.8%), and Seguros del Magisterio (6.9%). The rest of the ranking saw changes among the top companies, most notably Best Meridian Insurance climbing two places (see Chart 3.1.6-u).

Key Regulatory Aspects

The most significant changes to the regulations applicable to the Costa Rican insurance industry approved in 2020 and Q1 2021 are summarized below. Like other sectors of the Costa Rican economy, insurance market regulation was marked in 2020 by the crisis arising from the COVID-19 pandemic. The National Council for Financial System Oversight (CONASSIF) adopted regulatory measures for support companies to take on the economic consequences caused by the pandemic, most connected to the solvency regime.

In 2020, CONASSIF took regulatory measures for the entire financial system, some to respond to the national emergency caused by COVID-19, others to comply with legal mandates established in the laws approved to fulfill the recommendations to let Costa Rica into the Organisation for Economic Co-operation and Development (OECD). The council also issued specific regulations for the insurance industry and they were included in its strategic plan.

Transversal measures connected to the pandemic emergency

- Superintendents were authorized to approve Superintendency filing extensions for companies being overseen, due to the extraordinary circumstances facing the majority of these companies and the market as a whole. This measure was specified via an amendment to the Regulation on Financial Reporting, approved on April 20, 2020.

- The Financial Reporting regulation changed so that audited financial statements and other reports by external auditors could be filed and signed exclusively online, using the procedure provided by the Association of Certified Public Accountants of Costa Rica. With this, the General Superintendency of Insurance (SUGESE) was granted powers to set the deadlines and means used by insurance companies to furnish the reporting set out in said regulation. These changes were approved by CONASSIF at the sessions held on August 31 and September 7, 2020.

Regulations associated with the country's accession to the OECD with an impact on the insurance industry

- Approval of the regulation for public consultation of superintendency and CONASSIF draft budgets. The standard establishes the manner and means for overseen entities to comment on draft budgets for the four superintendencies, CONASSIF, and their Internal Auditors. This standard was approved by CONASSIF at the sessions held on June 15 and 22, 2020.

- Regulations on mergers involving one or more companies conducting financial activity overseen by the Superintendencies, pursuant to the requirements set out in the Empowerment of the Competition Authorities of Costa Rica Act, No. 9736 and the Promotion of Competition and Effective Consumer Defense Act, No. 7472. The new regulation was approved by the Council on December 3, 2020.

Another transversal regulation

Comprehensive overhaul of the Regulation on Financial Instrument Valuation providing the general principles to appraise own or joint investment portfolios of the companies overseen by the four superintendencies of the Costa Rican financial system. This standard was approved by CONASSIF at the sessions held on March 8 and 15, 2021.

Insurance industry-specific regulations

- The new capital requirements for risk of earthquake and volcano eruption as per the solvency regulation were suspended until April 1, 2021. The Regulation on Insurance and Reinsurance Company Solvency approved on March 16, 2020 was amended. It is worth mentioning that while the original purpose of this measure did not arise from the COVID-19 crisis, it was approved after a national emergency had been declared due to the pandemic and it helped allow insurance companies to better manage their capital during the crisis.

  Given the crisis situation and uncertainty at the time, CONASSIF amended the Regulation on Insurance and Reinsurance Companies on June 1, 2020 to give insurance companies the flexibility to manage their capital. It specifically amended the solvency regime in terms of: the capital requirement for certain assets, the temporary reduction of the maximum retention rate used for technical property & casualty and personal insurance risks, and a transitional provision to maintain current local investment weights to determine the capital requirement resulting from credit risk.

- Regulation on Insurance Inclusion and Access approved by CONASSIF on August 24, 2020 to promote and facilitate the sale of simple, easy-to-understand insurance policies, which is expected to increase access to risk mitigation and transfer instruments especially for sectors that are currently underserved.

- Amendment to the Regulation on the Solvency of Insurance and Reinsurance Companies, in terms of how reinsurance is treated in the calculation of solvency capital requirements for earthquake and volcanic eruption insurance. This overhaul was approved by CONASSIF in the April 12, 2021 session and enters into force on September 1, 2021.

- Regulation on providing periodic information and disclosing relevant facts by companies overseen by SUGESE, governing the obligations for providing periodic reporting and disclosing relevant facts required for companies overseen by SUGESE, pursuant to the provisions of the Insurance Market Regulation Act. This regulation was approved on April 12, 2021.

- Other draft regulations are also under development. Although they have not yet been finalized, progress as at the date of publication of this report is significant and they were sent by CONASSIF for industry consultation in Q1 2021 to show: a) the comprehensive overhaul of authorizations, records, and operations requirements for companies overseen by SUGESE; b) amendments to the financial reporting and solvency regulations for the adoption of the International Financial Reporting Standard on Insurance Contracts (IFRS 17), and c) the overhaul of solvency provisions for surety insurance to amend technical provisions calculations and capital requirements for these insurance policies.

- Within the powers granted to the Superintendent by the Regulatory Law on the Insurance Market to create an orderly, stable, and efficient market, the General Superintendency of Insurance agreements indicated below were issued in 2020 and the first four months of 2021:

- Agreement SGS-A-0070-2020. Adjustments to the filing and format of Appendix 4 of agreement SGS-DES-A-021-2013. Amendment to Superintendent Agreements SGS-A-029-2013 (Application guidelines for the solvency regime) and SGS-A-021-2013 (sending financial reporting, accounting data, and statistics) to: a) include the treatment of assets generated by Value Added Tax (VAT) for the purposes of capital adequacy, and b) modify the form used to send the Capital Sufficiency Index (ISC).

- Agreement SGS-A-0071-2020. Amendment to the capital sufficiency index calculation, which must be sent pursuant to the sample provided in agreement SGS-DES-A-021-2013, Provisions for Sending Accounting and Statistical Data to the General Superintendency of Insurance from Overseen Companies to adjust the capital requirement calculation presentation model.

- Agreement SGS-A-0073-2020. Replacement of Appendix 4 of SGS-DES-A-021-2013. Amendment to Appendix 4 of agreement SGS-A-021-2013 in terms of the capital sufficiency index calculation and adjustment to the sample provided in Article 3 of agreement SGS-A-029-2013.

- Agreement SGS-A-0074-2020. Guidelines and requirements for Registering Self-Issue Insurance. Amendment to Agreement SGS-DES-A-041-2014 to include the Guidelines and Requirements for Registering Self-Issue Insurance, pursuant to the new Regulation on Insurance Inclusion and Access approved by CONASSIF in August 2020.

- Agreement SGS-A-0075-2020. Sending data via the Insurance Oversight System (SSS). Amendment to Agreement SGS-DES-A-0021-2013 on furnishing data to the Superintendency to send National Institute of Statistics and Census of Costa Rica, Premiums, and Claims contribution forms and forms related to Occupational Hazard Insurance via the Insurance Oversight System (SSS), and partial amendment to the Channels Form.

- Agreement SGS-A-0076-2021. Amendment to Agreements SGS-A-014-2011, SGS-DES-A-021-2013 and SGS-A-057-2017 for sending data via Economic Research

Requirements (EES). Amendments were made to Superintendent agreements 14, 21, and 57 in terms of sending data for oversight activity, via the Insurance Economic Research Service (EES) on SUGESE's online platform.

- Agreement SGS-A-0077-2021. Issuing of Guidelines on insurance companies and intermediaries disclosing information on significant positions or roles to the General Superintendency of Insurance and the functioning of the role service. This corresponds to the reporting guidelines for information related to director, executive, and authority positions and roles to be provided to the Superintendency by overseen companies and the operation of the Role Registration Service, available on SUGESE's online platform. Superintendent agreement complementary to the regulation on disclosing relevant facts, which repeals the two previous agreements on this topic.

- Agreement SGS-A-0078-2021. Amendment to Superintendent agreements: SGS-A-014-2011, General guidelines to the use of certified digital signatures in General Superintendency of Insurance procedures by insurance companies, brokerage firms, and insurance agencies and SGS-DES-A-021-2013, Provisions for sending accounting and statistical data to the General Superintendency of Insurance by overseen companies. Amendments were made to Agreements SGS-A-014-2011 and SGS-A-021-2013: the issuing provisions of the Regulation on Providing periodic Information and Disclosing Relevant Facts and to the new agreement on positions and roles of overseen companies.

- Agreement SGS-A-0079-2021. Guidelines for reporting relevant facts by companies overseen by the General Superintendency of Insurance and the functioning of the Relevant Facts Service available on SUGESE's online platform. It introduces the guidelines for reporting relevant facts by companies overseen by the General Superintendency of Insurance and the functioning of the Relevant Facts Service available on SUGESE's online platform. Superintendent agreement complementary to the regulation on disclosing relevant facts.

3.1.7 Panama

Macroeconomic Environment

The Panamanian economy faced one of the largest contractions in the world in 2020, with the GDP shrinking 17.9% in real terms as a result of the economic effects of the situation caused by the COVID-19 pandemic, compared to 3.0% growth the previous year (see Chart 3.1.7-a). The average inflation rate in 2020 was -1.6%, compared to -0.1% the previous year and the adjusted unemployment rate was 18.6% compared to 7% the previous year.

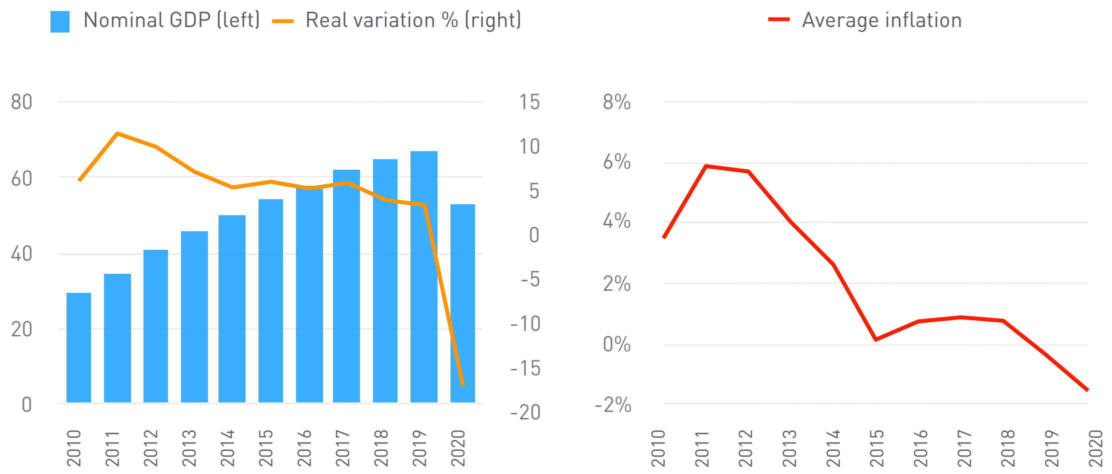
According to Central American Monetary Council data, public debt in Panama amounted to 69.8% of GDP at year end 2020 (46.4% in 2019) and the fiscal deficit closed the year at around 9.3%, compared to 3.8% the previous year. The package of fiscal aid measures approved to mitigate the economic consequences of the measures adopted due to the pandemic were a significant setback to the government's plans to improve public accounts, contain public expenditure, and investment. The current account, however, showed a surplus of 2.3% of GDP at year end 2020, compared to the 5% deficit in 2019. ECLAC forecasts that the Panamanian economy will partially recover in 2021 with growth around 12%.

Insurance Market

Growth

In 2020, premium volume in the Panamanian insurance market amounted to 1.52 billion balboas (exchange rate pegged to the dollar). As shown in Table 3.1.7 and Chart 3.1.7-b, nominal growth in 2020 was -3.2%, representing a real decrease of -1.7% compared to the previous year due to the effect of deflation. The resistance shown by the Panamanian insurance industry was notable. It only slightly contracted in real terms in a context of significant GDP contraction caused by the pandemic.

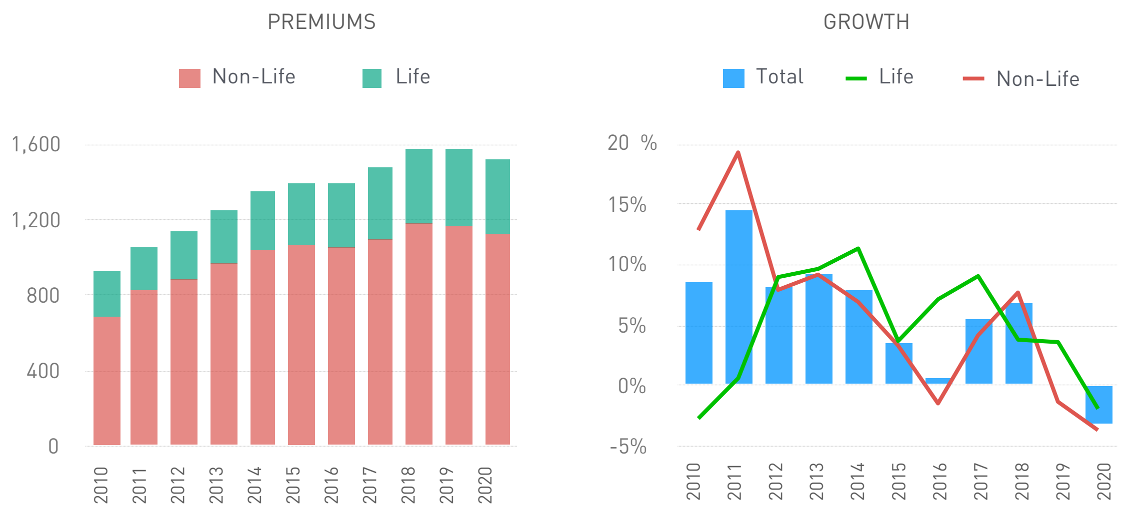
Chart 3.1.7-a
Panama: Changes in Economic Growth and Inflation
(GDP in local currency, billions of balboas; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

Life insurance premiums, which account for 26.3% of the entire Panamanian insurance market performed less poorly than Non-Life premiums and amounted to 398 million balboas. Life premiums contracted -1.9% in nominal terms (-0.4% real), while Non-Life insurance premiums (73.7% of the portfolio), fell for the second consecutive year by -3.7% (-2.2% real) to 1.12 billion balboas. Health insurance grew 6.1% with 342 million premiums and was the largest modality in the Non-Life segment. Health, Surety (10.4%), Fire (3.2%), and Transport (9.6%) grew in both nominal and real terms.

Chart 3.1.7-b
Panama: Growth Developments in the Insurance Market
(premiums, millions of balboas; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Table 3.1.7
Panama: Premium Volume[1] by Line, 2020

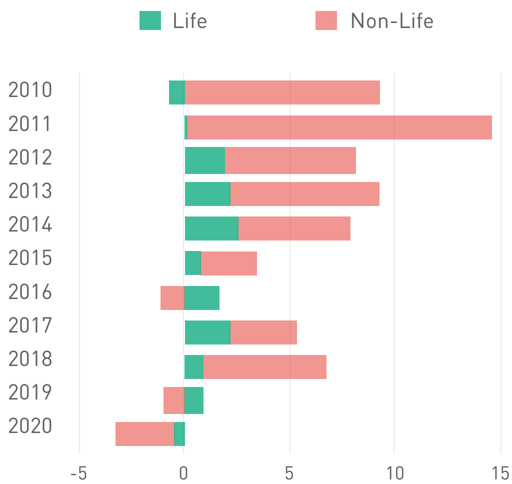
Line	Millions of balboas (= USD)	Growth Nominal (%)	Growth Real (%)
Total	**1,517**	**-3.2**	**-1.7**
Life	**398**	**-1.9**	**-0.4**
Non-Life	**1,119**	**-3.7**	**-2.2**
Auto	262	-16.3	-15.0
Health	342	6.1	7.8
Other lines	100	-2.7	-1.1
Surety	121	10.4	12.1
Fire and allied lines	157	3.2	4.9
Third-party liability	37	-20.5	-19.2
Transport	56	9.6	11.3
Technical risks	19	-26.8	-25.6
Personal accident	19	-38.9	-37.9
Multirisk	6	-22.1	-20.8

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
1/ Premiums net of returns and cancellations

Auto, the second largest modality in the Non-Life segment, fell -16.3% in nominal terms (-15% in real terms), partially explaining the real downturn of the segment. Unfavorable performance from the other Non-Life lines of business came from Third-Party Liability (-20.5%), Technical Risks (-26.8%), personal accident (-38.9%), and Multirisk (-22.1%), to name a few.

Thus, -0.5 pp of the -3.2% nominal contraction of the Panamanian insurance market in 2020 was

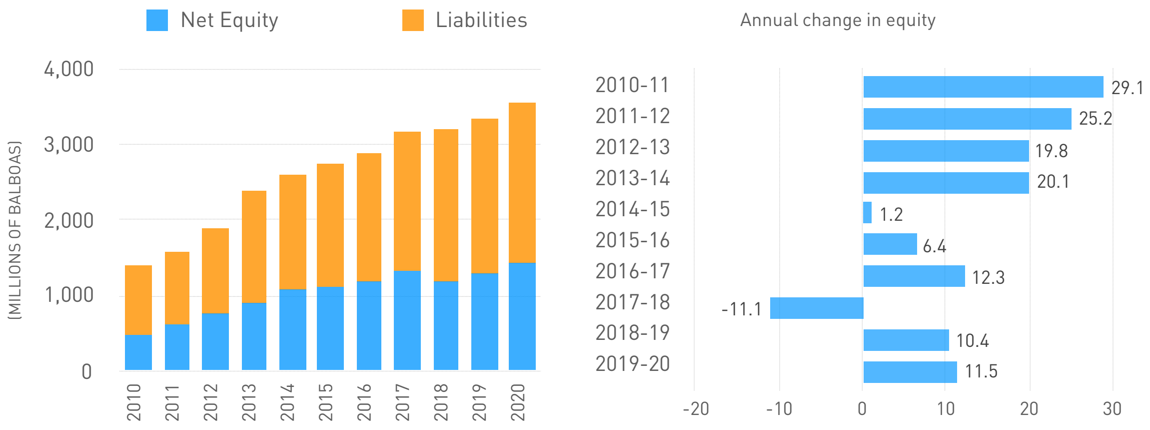
Chart 3.1.7-c
Panama: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	8.5	-0.8	9.2
2011	14.6	0.2	14.4
2012	8.2	2.0	6.2
2013	9.3	2.2	7.1
2014	7.9	2.6	5.4
2015	3.4	0.9	2.5
2016	0.5	1.7	-1.1
2017	5.4	2.3	3.1
2018	6.7	1.0	5.7
2019	-0.1	0.9	-1.0
2020	-3.2	-0.5	-2.7

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-d
Panama: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

attributable to the Life insurance segment, as Non-Life insurance contributed negatively with -2.7 pp (see Chart 3.1.7-c).

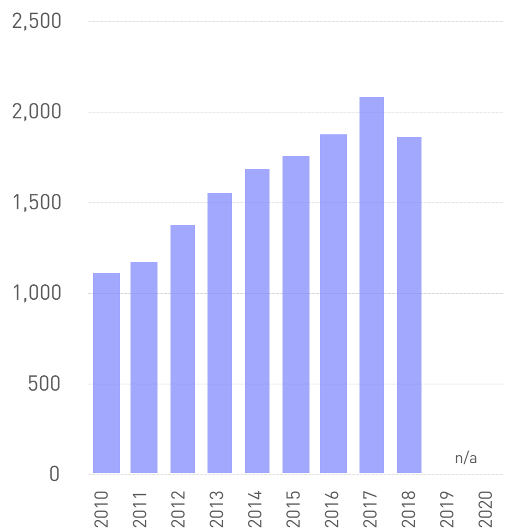
Balance Sheet and Shareholders' Equity

The insurance industry's aggregate balance sheet over the 2010-2020 period is shown in Chart 3.1.7-d. These data indicate that total assets amounted to 3.53 billion balboas in 2020, 5.8% more than the previous year, while equity was 1.44 billion balboas (11.5 pp more than the previous year). The Panamanian insurance industry's aggregate capitalization levels (measured over total assets) rose 7.1 pp over the last 10 years. The indicator grew from 2010 (33.7%) to 2017 (41.5%) when it contracted sharply (36.7%), with the 2020 capitalization level at 40.8% over total assets.

Investments

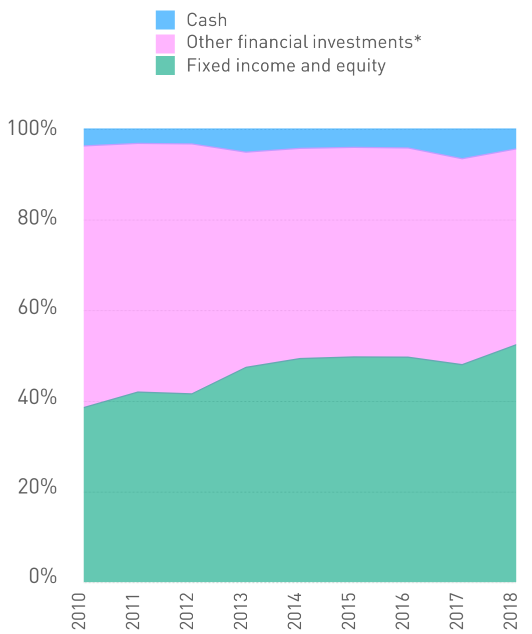
It is worth clarifying that no data from 2019 or 2020 are included for the Panamanian insurance market (in this section and in investment, technical provisions, and profitability analyses), as statistics for that year were not available at the time this report was drafted. However, the primary trends of the last few years in the Panamanian insurance market include but are not limited to those indicated in Charts 3.1.7-e, 3.1.7-f, and 3.1.7-g, which show the changes to and structure of the sector's

Chart 3.1.7-e
Panama: Insurance Market Investments
(millions of balboas)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

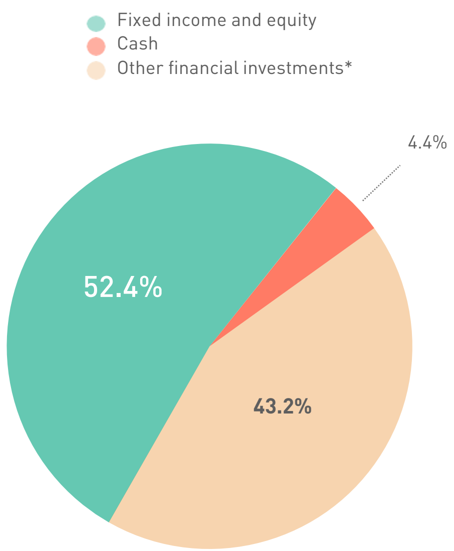
Chart 3.1.7-f
Panama: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

*Includes bank deposits

Chart 3.1.7-g
Panama: Structure of investment, 2018*
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

*Includes bank deposits
*Latest available data

aggregate investments for the 2010-2018 period, when fixed income and equity investments were particularly important.

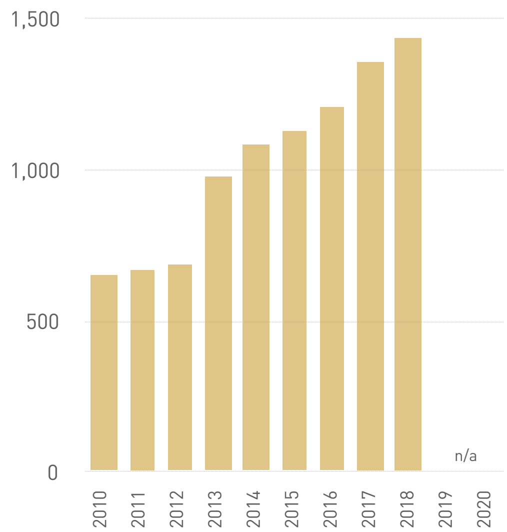
Technical provisions

Charts 3.1.7-h, 3.1.7-i and 3.1.7-j show the performance and structure of the Panamanian sector's technical provisions between 2010 and 2018 for informational purposes. In this case, technical provisions associated with Life insurance accounted for a significant percentage: 48.5% in 2018.

Technical performance

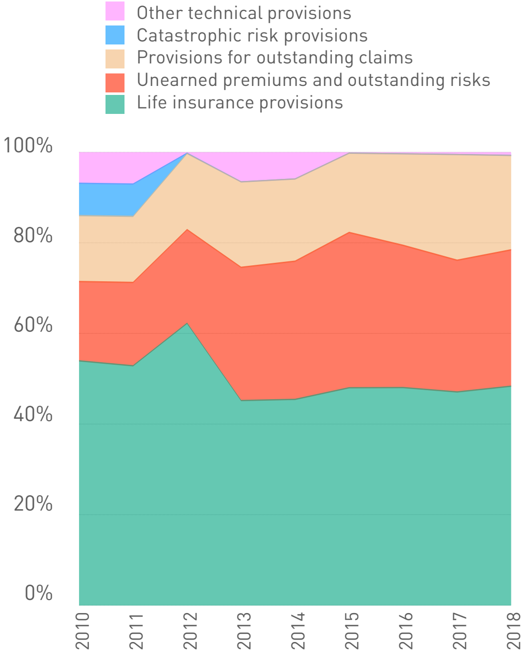
The combined ratio for the Panamanian insurance industry performed well in 2020 compared to the previous year, as this indicator fell -0.9 pp to 89.2%. So, the market stayed on the path toward technical efficiency taken in

Chart 3.1.7-h
Panama: Technical Provisions of the Insurance Market
(millions of balboas)



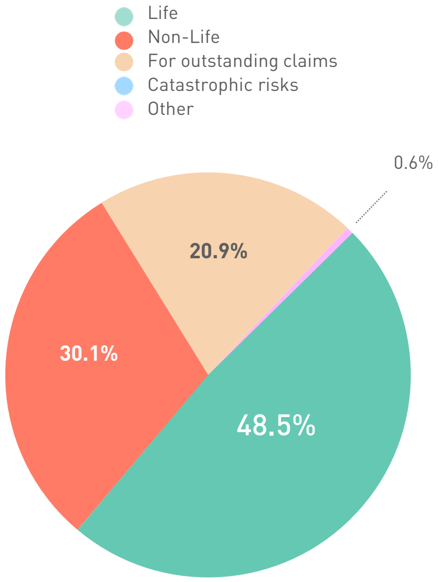
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-i
Panama: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-j
Panama: Structure of Technical Provisions, 2018*
(%)

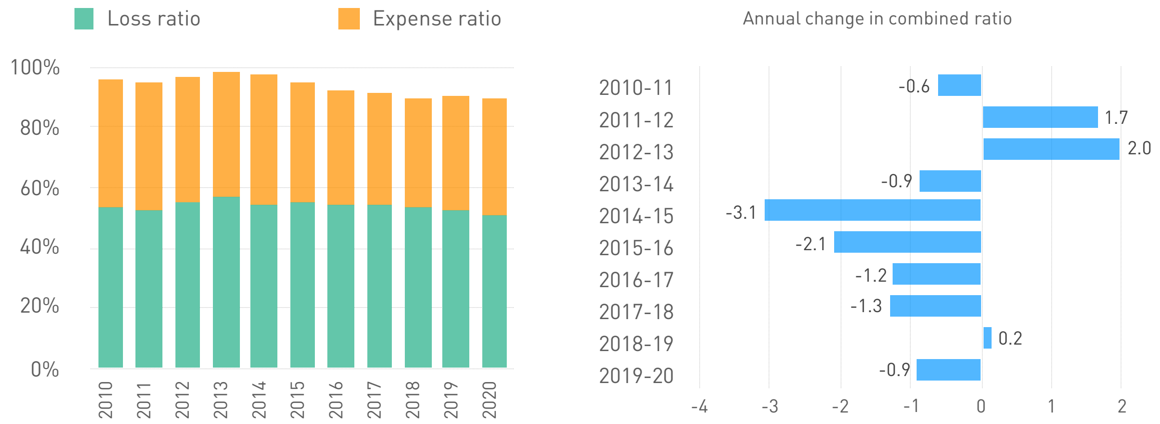


Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

*Latest available data

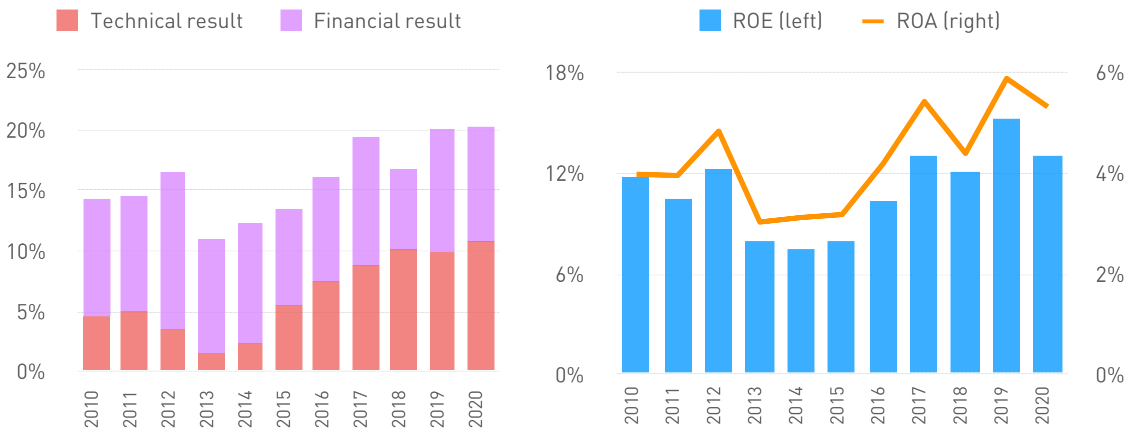
2014 and followed without disruption until 2019. The improved combined ratio for the Panamanian market is fundamentally due to the -1.8 pp drop in the loss ratio to 51.1% (52.9% the previous year); the expense ratio worsened as premium expenses rose 0.9 pp vs. the previous year, reaching 38.1%. (see Chart 3.1.7-k).

Chart 3.1.7-k
Panama: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-l
Panama: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Results and Profitability

The financial result of the Panamanian insurance industry was 96.1 million balboas in 2020 (-7.8% compared to the previous year), while the industry's technical result was 110.1 million balboas (+7.9% vs. 2019) with the total technical result at a similar level of that of the previous year. The profitability indicators shown in Chart 3.1.7-l show an upward trend starting in 2014, although the return on equity (ROE) was 13.0% in 2020, contracting -2.1 pp compared to 2019. The same occurred with the return on assets (ROA), which amounted to 5.3% in 2020, down -0.6 pp compared to the previous year.

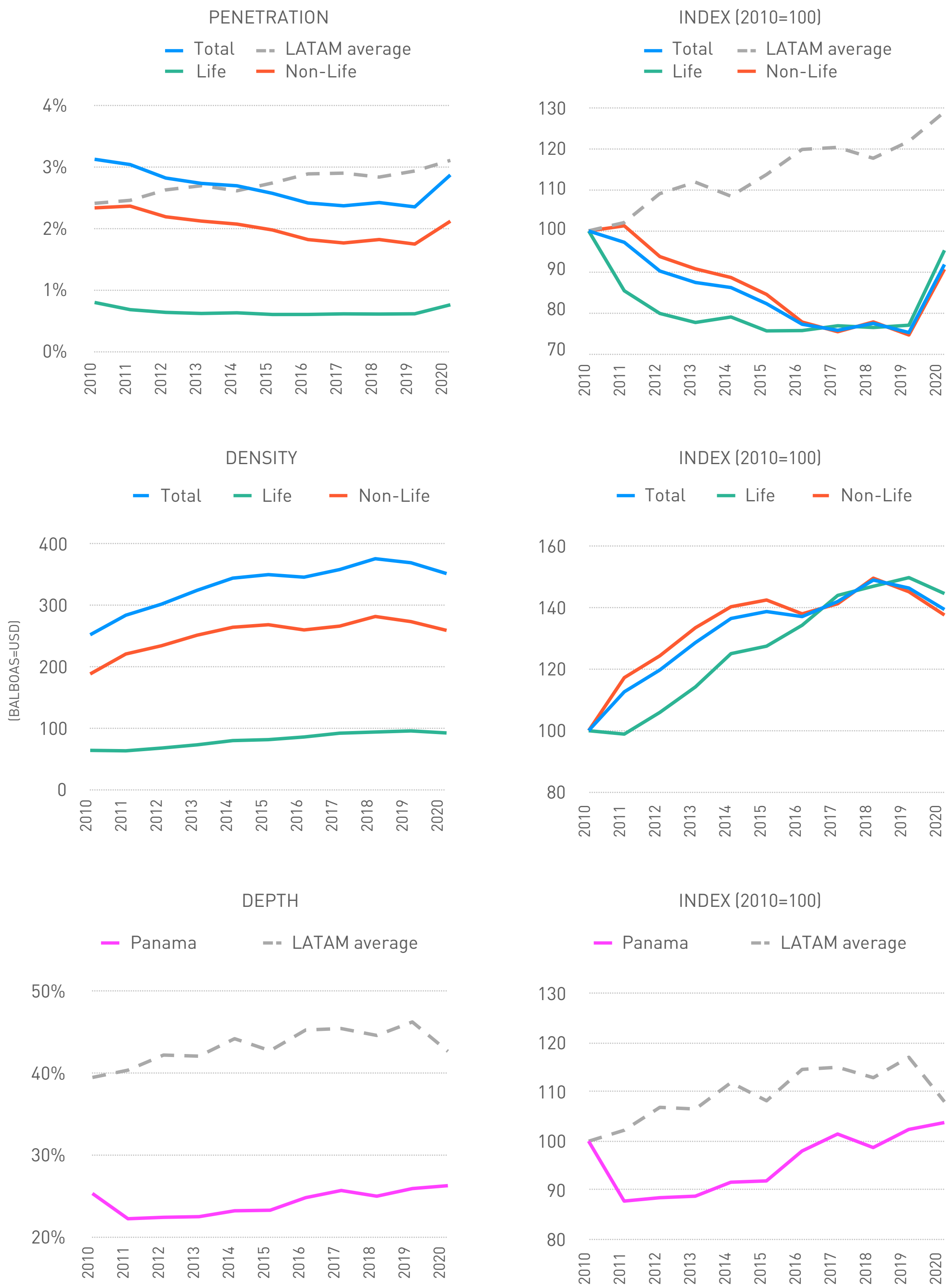
Insurance penetration, density and depth

Chart 3.1.7-m shows the main structural trends shaping the development of the Panamanian insurance industry between 2010 and 2020. First, the penetration rate (premiums/GDP) came to 2.9% in 2020, 0.6 pp higher than in 2019 and -0.2 pp less than in 2010. As said chart shows, the Panamanian market penetration rate followed a downward trend starting in 2011 diverging from average for the Latin American insurance market as a whole since 2014, although it came close to this trend in 2020, coming in just 0.2 pp below it. The good performance of this indicator, however, can be explained by the abrupt contraction of the GDP in the Panamanian economy as a result of the pandemic and the resistance shown by its insurance industry, which only slightly contracted. However, this is notably an unusual year. We will need to wait for data from the coming years to draw conclusions about a potential shift in the trend.

Insurance density in Panama (premiums per capita) amounted to 352 balboas (on par with the US dollar), representing a decrease of -4.8% compared to the previous year (369 balboas). Unlike the penetration rate, density followed an upward trend, with a cumulative increase of 39.4% over the 2010-2020 period, coming in 135 dollars above the Latin American average despite contracting both in 2019 and in 2020.

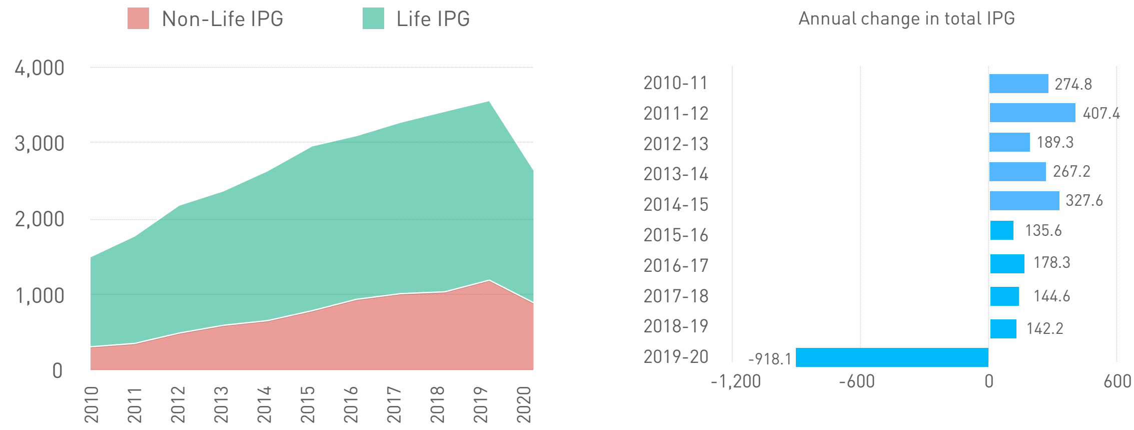
Depth in the Panamanian market (measured as Life insurance premiums vs. total premiums) stood at 26.3% in 2020, up 0.4 pp compared to the previous year and 1.0% compared to 2010.

Chart 3.1.7-m
Panama: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, balboas; Life insurance premiums/total premiums, %, 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-n
Panama: Insurance Protection Gap
(millions of balboas)



Source: MAPFRE Economics

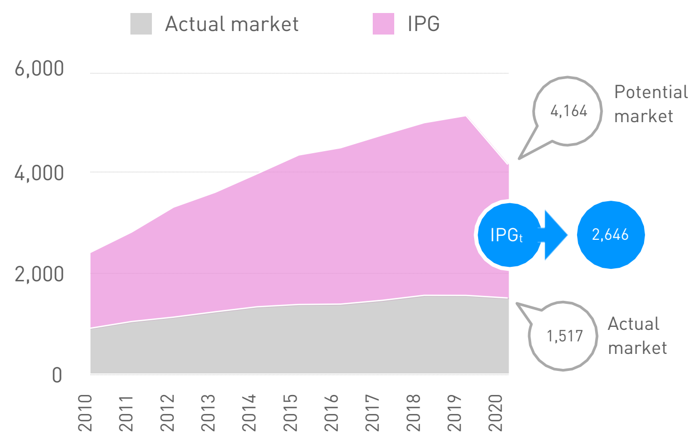
Depth was virtually stagnant over the last decade, at figures 20% below those shown by the average for Latin American insurance markets as a whole.

Estimation of the Insurance Protection Gap

Chart 3.1.7-n shows the estimated IPG for the Panamanian insurance market between 2010 and 2020 shown in Chart 3.1.7-n. It demonstrates that the 2020 insurance gap was 2.65 billion balboas (918.1 million balboas less than the previous year), representing 1.7 times the actual Panamanian insurance market that year. This decline is related to the effect of the abrupt drop in GDP and the resilience of insurance demand on penetration in 2020.

As in most Latin American insurance markets, the structure and performance of the IPG between 2010 and 2020 was largely a product of the Life insurance segment. Indeed, Life insurance accounted for 66.4% of the IPG (1.76 billion balboas) at the end of 2020 (66.7% in 2019), down -13.0 pp compared to 2010 and

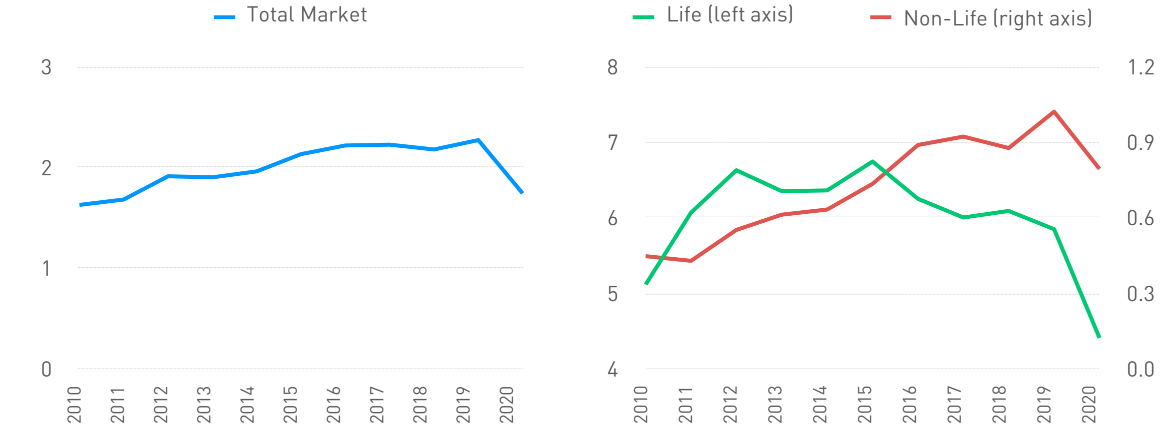
Chart 3.1.7-o
Panama: Insurance Protection Gap and Potential Market
(millions of balboas)



Variation	Actual market	IPG
2020-2010	65.1%	76.7%
2020-2019	-3.2%	-25.8%

Source: MAPFRE Economics

Chart 3.1.7-p
Panama: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

-0.3% compared to the previous year. The remaining 33.6% of the IPG is a product of the Non-Life insurance segment (889.2 million balboas). The potential insurance market in Panama at year end 2020 (the sum of the actual market plus the IPG) was therefore estimated at 4.16 billion balboas, 2.7 times the size of the total insurance market that year (see Chart 3.1.7-o).

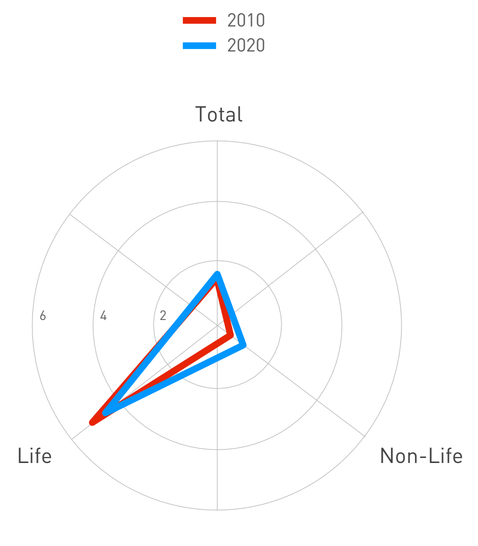
Chart 3.1.7-p shows an estimate of the insurance gap as a multiple of the actual insurance market in Panama. The IPG as a multiple of the market followed an upward trend until 2019 as a result of the expansion of the IPG in the Non-Life segment, since the indicator only went up for the Life segment until 2015. In the last year, however, the indicator for both lines of business dropped and that means the IPG contracted in terms relative to the existing market.

Chart 3.1.7-q summarizes the development of the IPG as a multiple of the actual Life and Non-Life markets and the Panamanian insurance market as a whole over the last 10 years.

As this chart shows, the IPG as a multiple of the actual market went up for the Non-Life line of business in the 2010-2020 period, meaning the gap worsened, while it went down marginally in the Life segment.

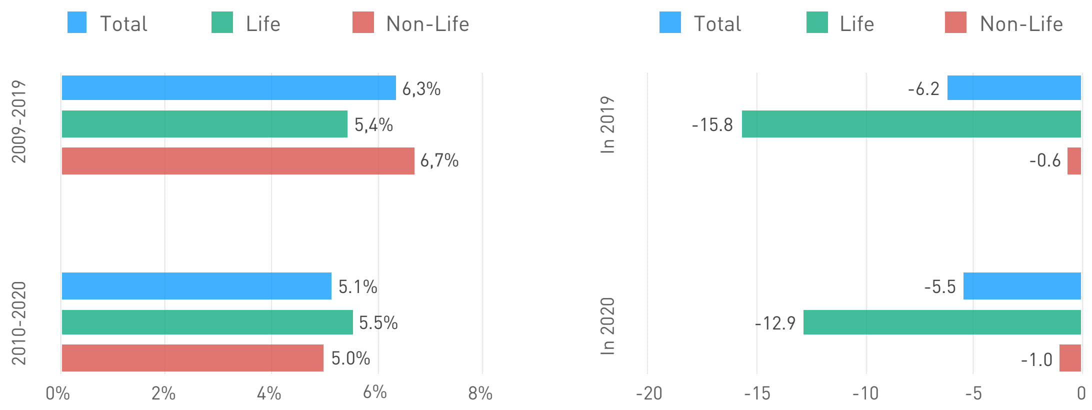
Finally, Chart 3.1.7-r provides an update of the analysis in terms of the Panamanian insurance

Chart 3.1.7-q
Panama: Changes in IPG
as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.1.7-r
Panama: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

market's capacity to bridge the insurance gap. This is based on a comparative analysis between the growth rates observed over the last 10 years and the growth rates that would be required to close the insurance gap determined in 2020 over the next decade.

This analysis indicates that the Panamanian insurance market grew in this period at an average annual rate of 5.1%, underpinned by an average annual growth rate of 5.5% in the Life insurance segment and an average annual growth rate of 5.0% in the Non-Life insurance segment. This analysis confirms that were the same growth rate seen over the last 10 years to continue, the growth rate of the Panamanian insurance market would fall -1.0 pp short of bridging the insurance gap in the case of Non-Life insurance, while it would fall -12.9 pp short in the Life insurance segment.

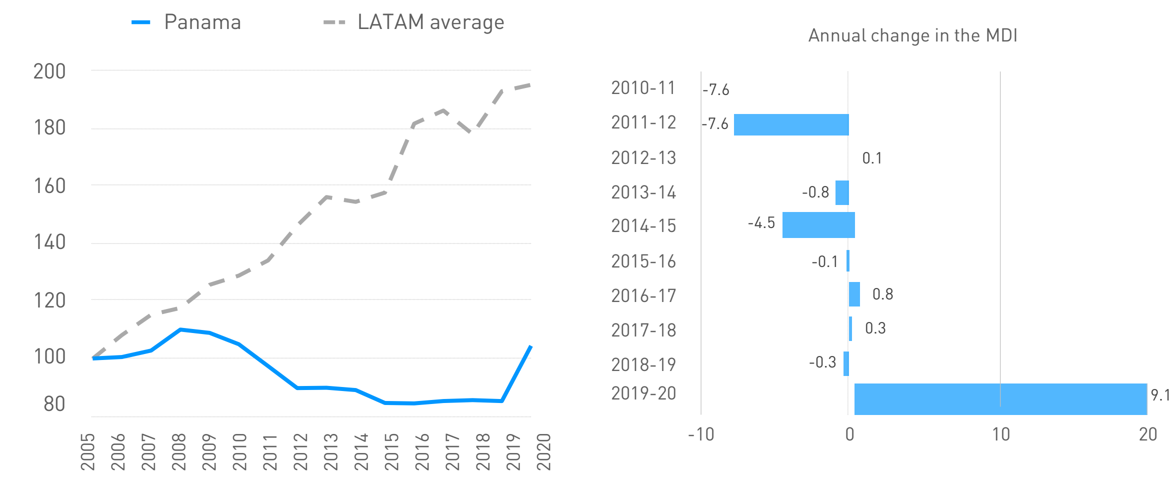
Market Development Index (MDI)

Chart 3.1.7-s shows an update of the estimate of the Market Development Index (MDI) for the Panamanian insurance industry between 2005 and 2020. As noted throughout this report, the MDI is used as a benchmark for the general trends observed in the performance and maturity of insurance markets. In 2020, the indicator went up 19.1% compared to the previous period, gaining the ground lost since 2010. For the Panamanian insurance market, the indicator followed the same trend as the Latin American insurance market average only until 2008 (although always remaining below that value), after which it clearly diverged from the average performance seen across the region overall region. Over the last year, the indicator narrowed the spread with the average MDI for Latin America as the index grew to 104.4 (85.2 in 2019), while the average barely went up 2.2 points to 195.1 (192.9 in 2019). However, as indicated in the discussion of the penetration rate, this is a notably unusual year and we will need to wait for data from the coming years to draw conclusions about a potential shift in the trend.

Conjoint analysis of structural coefficients

Lastly, Chart 3.1.7-t summarizes the Panamanian insurance market's situation in comparison with the Latin American average, measured in terms of the various structural

Chart 3.1.7-s
Panama: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

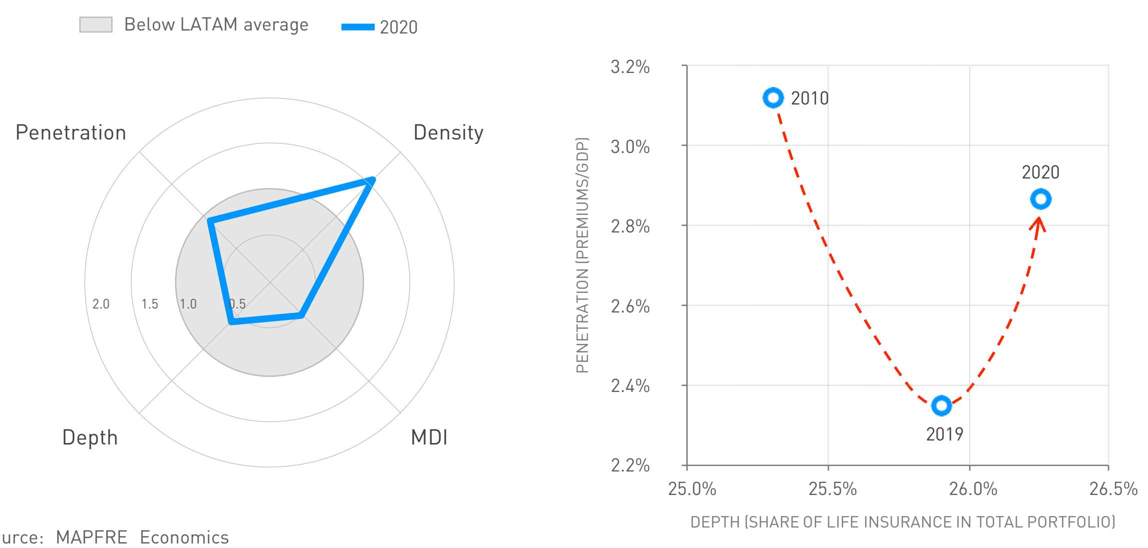
coefficients analyzed. In this sense, the Panamanian market was below the Latin American insurance market average in terms of the structural indicators analyzed, except with regard to density. There was also a gain in penetration compared to the previous year.

Insurance Market Rankings

Overall ranking

There were a total of 23 insurance companies operating in Panama at year end 2020, the same as in 2019. Despite the trend toward lower concentration marking the Panamanian insurance industry until 2014, the Herfindahl

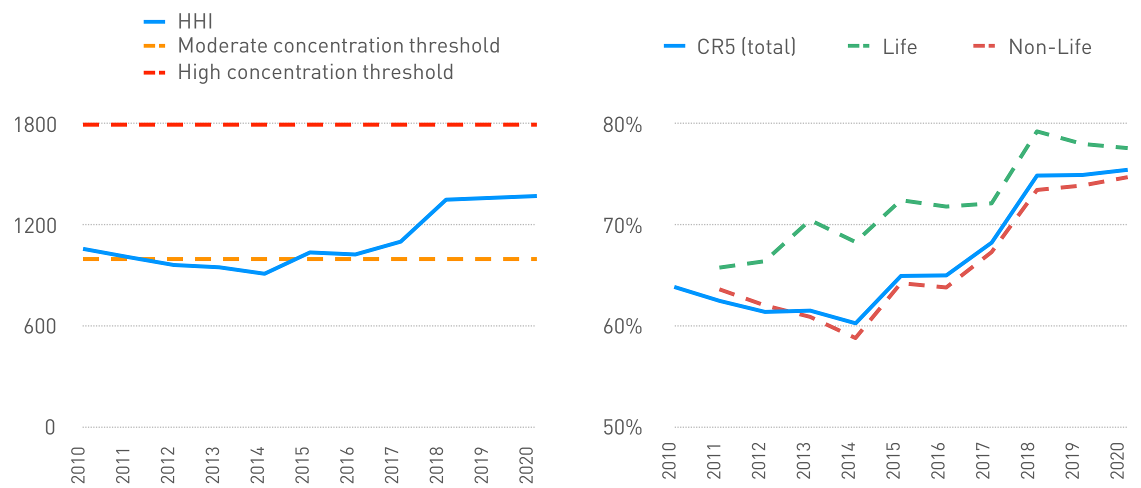
Chart 3.1.7-t
Panama: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.7-u
Panama: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)

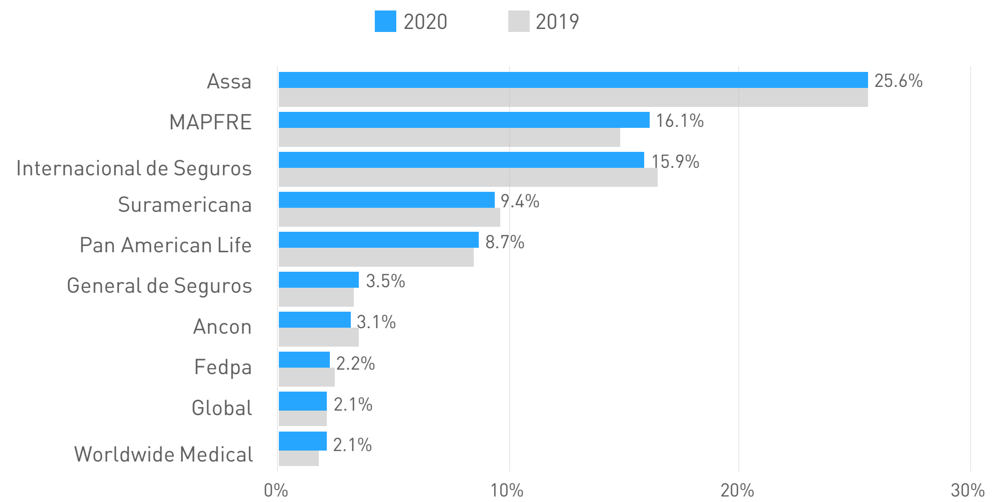


Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

and CR5 indices showed increases in market concentration from then until 2020. As Chart 3.1.7-u shows, the 2020 CR5 index (market share of the market's top five companies) was 75.5% (77.6% for the Life segment and 74.8% for the Non-Life segment). In the case of the Herfindahl index, in 2020 the market remained above the threshold indicating the start of moderate industrial concentration; a parameter that the Panamanian market had already exceeded in 2015.

In the 2020 overall ranking of insurance companies in Panama, MAPFRE and Internacional de Seguros changed places to second and third, respectively, while General de Seguros surpassed Ancon with these companies in sixth and seventh place. The other companies in the ranking maintained the same positions as the previous year. Assa led

Chart 3.1.7-v
Panama: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

the ranking with the same market share as the previous year (25.6%). MAPFRE also increased its market share 1.3 pp to 16.1%, allowing it to take second place, while Internacional lost -0.6 pp of its market share (15.9%) compared to the previous year (see Chart 3.1.7-v).

Non-Life and Life rankings

As shown in Chart 3.1.7-w, the three insurance groups topping the overall ranking also held the top positions of the 2020 Non-Life ranking in the Panamanian insurance market. Assa with a market share of 24.9% (+0.3 pp compared to 2019), MAPFRE with 17.4% (16.4% in 2019) rising to second place, and Internacional de Seguros with a market share of 16.0% (-0.7 pp year-over-year) led the ranking. The other insurance companies maintained their positions, except for General de Seguros and Acerta Seguros, which exchanged positions ending up in ninth and tenth, respectively.

Finally, in the 2020 Life ranking, the top two positions were held by Assa, with a market share of 27.5% (-1.0% compared to 2019) and Compañía Internacional de Seguros, whose market share dropped -0.3 this year to 15.6%.

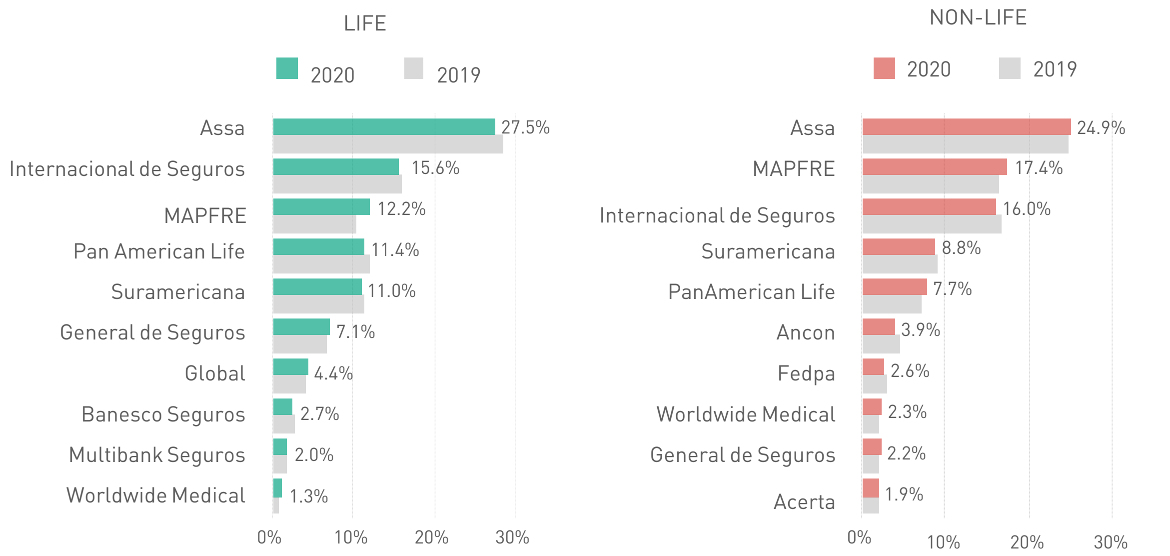
With a market share of 12.2%, MAPFRE climbed two places to third, causing Pan American Life (11.4%) and Suramericana (11.0%) to fall to fourth and fifth place, respectively.

Key Regulatory Aspects

In terms of the most relevant regulatory aspects, the following provisions issued in 2020, both in terms of legislation and of prudential regulations by the Panamanian Superintendency of Insurance and Reinsurance, are noteworthy:

- Resolution 018-2020 which considers pending receivable balances on net premiums earned arising from agreements and amendments to insurance policy terms and conditions as Solvency Ratios, Liquidity Margins, and Investment Balance Sheet Reserves.
- Memorandum-SSRP-SMV-2020 on the Memorandum of Understanding between the Superintendency of Insurance and Reinsurance of Panama and the Superintendency of the Securities Market of Panama.

Chart 3.1.7-w
Panama: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

The regulator also issued the following actuarial circulars:

- Cir-022-2020. As a COVID-19 measure, companies were asked to prepare premium adjustment or discount strategies for their Auto products.
- Cir-017-2020. Statistical information request on COVID-19-related claims in Health, Life, Travel, and increases or notifications of medical service costs and/or reinsurance rates.
- Cir-013-2020. Use and restitution of the Catastrophic Risk Reserve and the Provision for Statistical Deviation. Insurance companies were reminded of the content of Agreement No. 5 of June 18, 2014, which will allow all companies needing to use said reserves, provided the requirements under said Agreement are met.
- Cir-014-2020. Temporary suspension of increases to Health policies authorized between June 2019 and February 2020. In response to the situation the country was in due to COVID-19, companies were asked to temporarily suspend any health insurance policy increases approved in the months indicated.

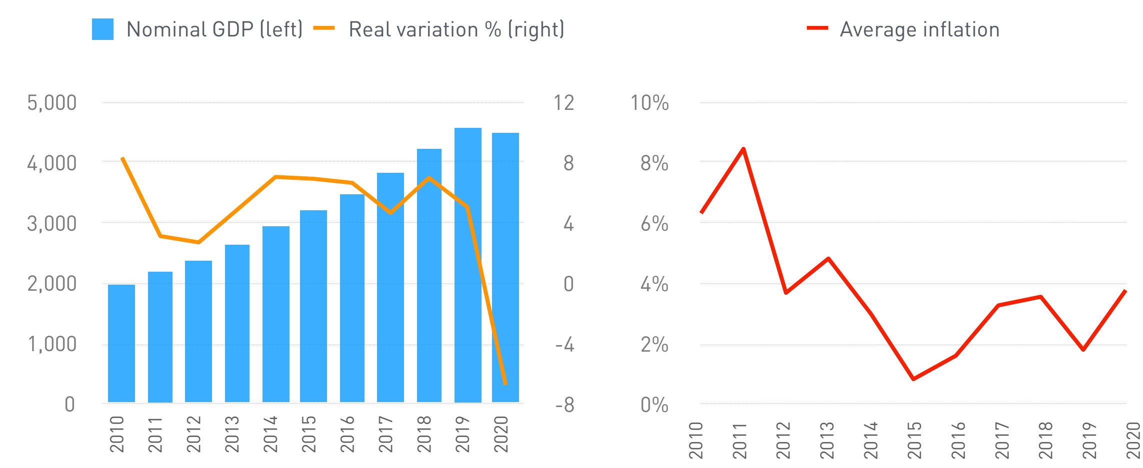
3.1.8 Dominican Republic

Macroeconomic Environment

The economy of the Dominican Republic suffered a major -6.7% downturn in 2020, undoing a number of notable periods of GDP growth over the previous years (with average growth around 6% in the last five years). This was a result of plummeting domestic and foreign demand, largely caused by a drop in tourism and the economic contraction in the United States, the country's primary trading partner, due to the measures adopted to contain the effects of the pandemic (see Chart 3.1.8-a). Reduced economic activity impacted employment with unemployment jumping to 7.4% at year end 2020 (5.9% in 2019).

The central bank expanded the already expansionary monetary policy it began implementing due to economic slowdown in the Dominican economy before the pandemic broke

Chart 3.1.8-a
Dominican Republic: Changes in Economic Growth and Inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

out and cut interest rates twice in 2020, leaving them at 3% after three cuts from the previous year from 5.5% to 4.5%. The average annual inflation rate stood at 3.8% in 2020 (1.8% in 2019). However, inflation at the end of the year surged to 5.6% (above the target range of 4% with a 1% tolerance band). This increase was largely attributable to higher prices on imports, particularly fuel, whose price was also impacted by the 10.2% depreciation of the Dominican peso in the exchange rate with the dollar.

In terms of public accounts, Central American Monetary Council data indicates that the fiscal deficit amounted to 7.9% of GDP at year end 2020 (2.2% in 2019) and public debt rose to 69.1% of GDP (compared to 50.5% in 2019) as a result of fiscal aid packages and exemptions for low-income people and companies approved by the government in an attempt to mitigate the economic effects of the measures adopted due to the COVID-19 pandemic. In terms of foreign industry, plummeting exports and the effect of a drop in tourism raised the deficit of the current account at 2% of GDP in 2020 (1.3% in 2019).

ECLAC expects the Dominican economy to recover in 2021 with a projected growth of 8%, getting back on track with the growth achieved in the years prior to the crisis. This recovery will be due in part to the successful vaccination campaign and the expected growth of the economy of the United States, a major source of revenue from family remittances and tourism.

Insurance Market

Growth

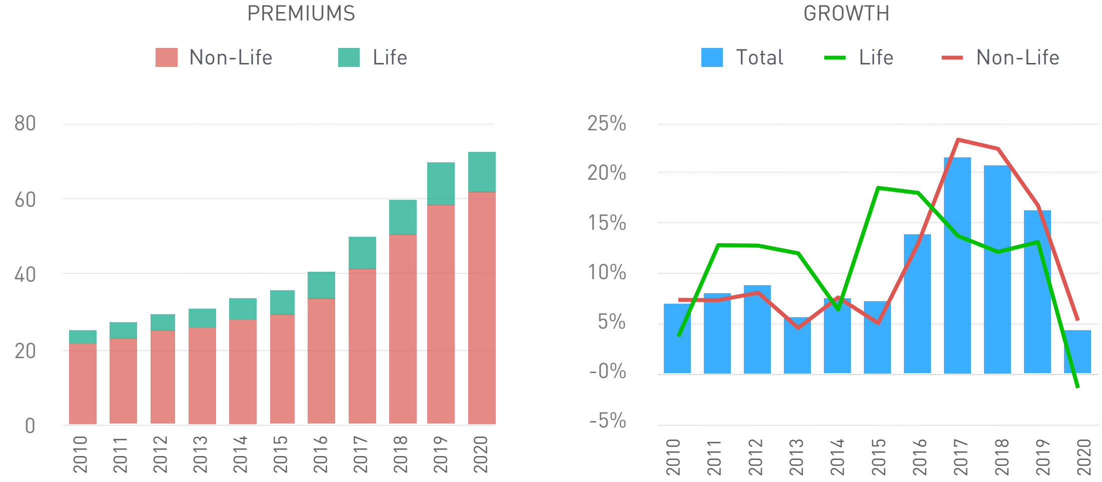
Premium volume in the Dominican insurance market was 72.24 billion pesos (1.28 billion dollars) in 2020, reflecting a nominal increase of 4.3% and real growth of 0.5% (see Table 3.1.8 and Chart 3.1.8-b). Life premiums decreased by -1.3% in nominal terms to 10.63 billion pesos (188 million dollars). Individual life insurance policies dropped -14.4 pp to 333 million pesos, while group Life insurance dropped (-0.8 pp) to 10.29 billion

Table 3.1.8
Dominican Republic: Premium Volume[1] by Line, 2020

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**72,241**	**1,275**	**4.3**	**0.5**
Life	**10,625**	**188**	**-1.3**	**-4.9**
Individual Life	333	6	-14.4	-17.5
Group Life	10,292	182	-0.8	-4.4
Non-Life	**61,616**	**1,088**	**5.4**	**1.6**
Fire and allied lines	18,556	328	17.6	13.3
Auto	16,553	292	-1.8	-5.4
Health	19,549	345	4.0	0.2
Other lines	3,722	66	2.2	-1.5
Transport	1,427	25	12.0	7.9
Surety	1,154	20	-14.3	-17.4
Personal accident	654	12	-14.7	-17.8

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
1/ Gross written premiums net of returns and cancellations

Chart 3.1.8-b
Dominican Republic: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)

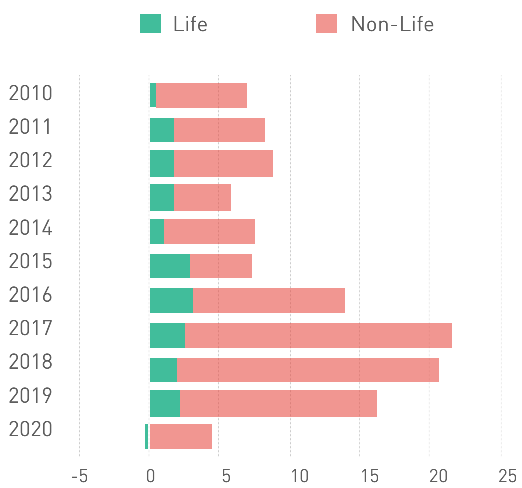


Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

pesos. However, not all of this hindered the end outcome for the market overall from being positive.

It is important to note that as part of this growth, Non-Life premiums (making up 85.3% of total premiums) grew 5.4% in nominal terms and 1.6% in real terms to 61.616 billion pesos (1.088 billion dollars). Health and Fire continue to be the most important lines of business for the Non-Life segment; the former grew 4% in nominal terms to 19.549 billion pesos, while the latter, with 18.556 billion pesos (328 million dollars), grew 17.6% in nominal terms and 13.3% in real terms compared to the previous year. Other lines and Transport showed growth, while the other lines in the Non-Life segment shrank.

Chart 3.1.8-c
Dominican Republic: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	6.9	0.6	6.4
2011	8.2	1.8	6.4
2012	8.8	1.9	7.0
2013	5.8	1.8	4.0
2014	7.5	1.0	6.4
2015	7.3	3.0	4.3
2016	13.9	3.2	10.7
2017	21.6	2.5	19.1
2018	20.7	2.1	18.6
2019	16.2	2.1	14.1
2020	4.3	-0.2	4.6

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

The 4.3% growth recorded by the insurance industry of the Dominican Republic in 2020 is attributable primarily to the contribution made by the Non-Life insurance segment, which grew 4.6 pp, while the Life segment made a negative contribution with -0.2 pp (see Chart 3.1.8-c).

Balance Sheet and Shareholders' Equity

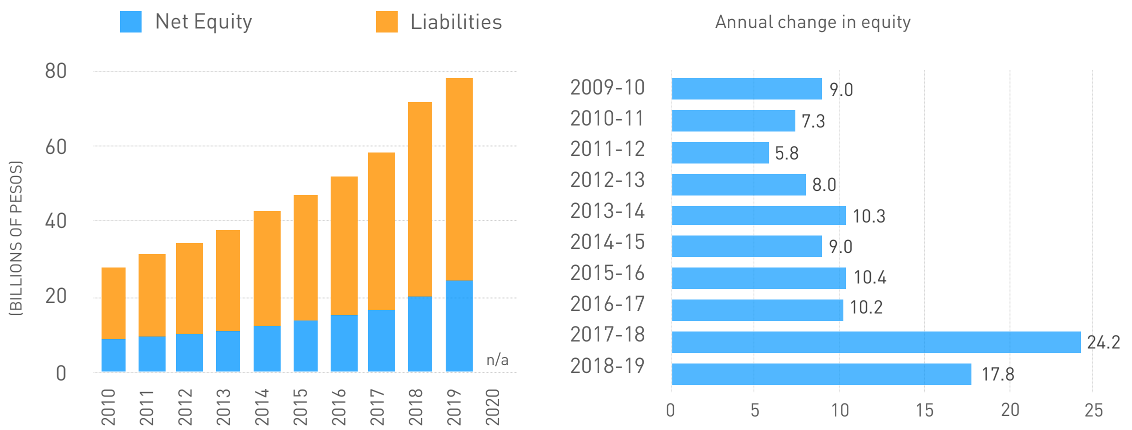
Chart 3.1.8-d shows the aggregate balance sheet for the insurance industry in the Dominican Republic. The industry's total assets in 2019 (most recent data available) amounted to 77.95 billion pesos (1.47 billion dollars). Meanwhile, equity within the industry came to 24.08 billion pesos (454 million dollars), up 17.8 pp on the value reported in 2018. Notably, these variations are in line with those seen the previous year.

It is important to note that over the 2009-2019 period, equity levels have consistently increased in the Dominican insurance industry positive annual increases in equity. Aggregate capitalization levels in the insurance industry (measured relative to total assets) stood at values close to 30.1% throughout the period, while they were 30.9% at the end of 2019.

Investments

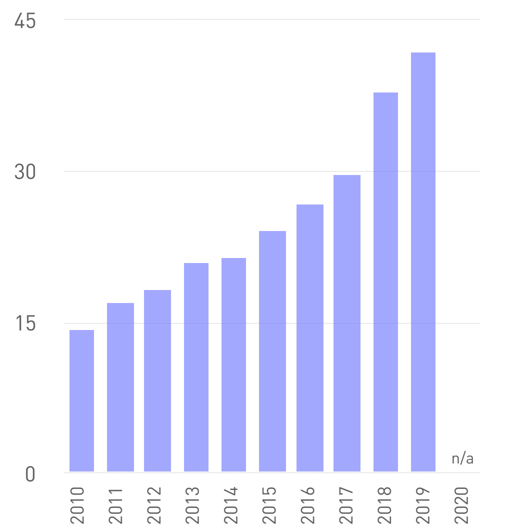
Chart 3.1.8-e shows the performance of the aggregate investment portfolio at the sector level over the 2010-2019 period, while Charts 3.1.8-f and 3.1.8-g show the performance of the investment structure over the period. These data show that in 2019 investments amounted to 41.90 billion pesos (789 million dollars), focused on debt and equity instruments (70%) and a relatively smaller proportion to real estate (12.2%) and cash and cash equivalents (8.1%). An analysis of the aggregate investment portfolio notably reveals a change in the portion of real estate investments, which have been falling gradually since 2009 (when they represented 16.5% of the portfolio) to 12.2% in late 2019, 9% more than the previous year, amounting to 5.12 trillion pesos, compared to 4.71 in 2018. Other financial investments also increased 33.0 pp to 4.04 billion pesos in 2018, virtually tripling the 2009-2018 average.

Chart 3.1.8-d
Dominican Republic: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-e
Dominican Republic: Insurance Market Investments
(billions of pesos)

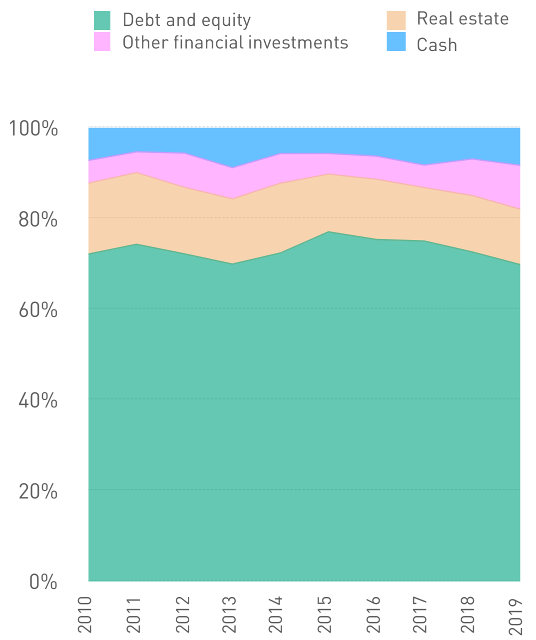


Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Technical provisions

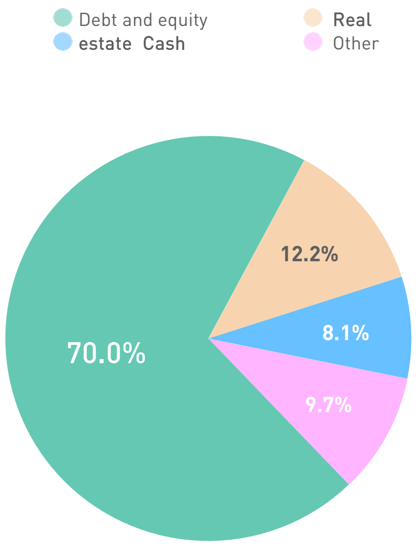
Chart 3.1.8-h shows changes in technical provisions in the Dominican insurance market for the 2010-2019 period (most recent data available), while Charts 3.1.8-i and 3.1.8-j show their relative composition over said period. As these data show, technical provisions amounted to 30.36 billion pesos (571 million dollars) in 2019; 9.3% of them corresponded to mathematical provisions and outstanding risks for personal insurance, 25.8% to the provision for unearned premiums and outstanding risks for Non-Life insurance, 52.7% to the provision for outstanding claims, 2.0% to the provision for catastrophic risks, and the remaining 10.3% to other technical provisions. The falling share of provisions for life insurance over the 2009-2019 period is also worth mentioning (Chart 3.1.8-i), going from 15.7% of total technical provisions in 2009 to 9.3% at the end of 2019.

Chart 3.1.8-f
Dominican Republic: Structure of Investments
(%)



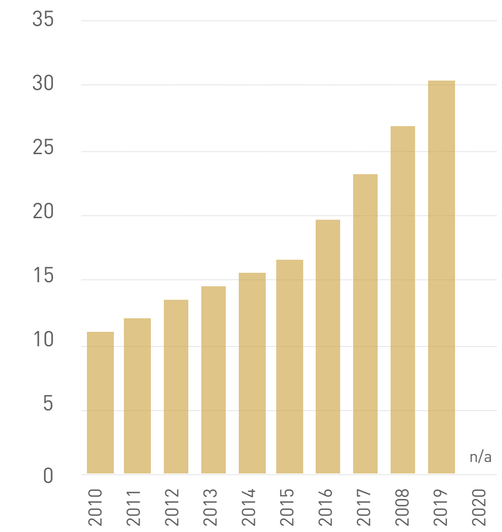
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-g
Dominican Republic: Structure of Investment, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-h
Dominican Republic: Technical Provisions of the Insurance Market
(billions of pesos)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

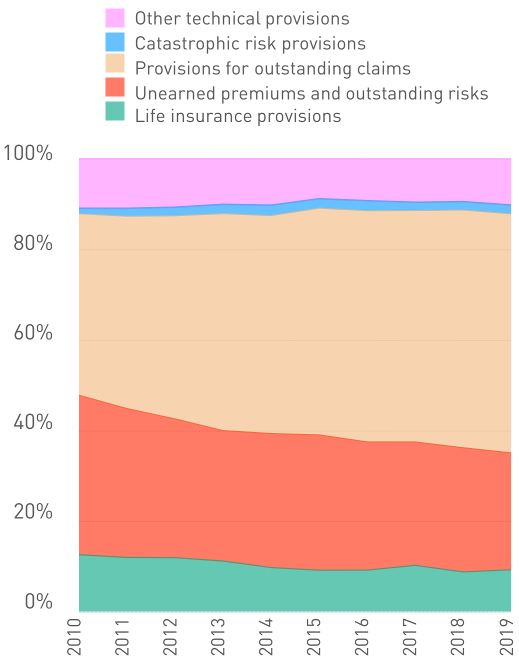
Technical performance

Chart 3.1.8-k shows changes in the aggregate combined ratio for the Dominican insurance industry over the 2010-2019 period (most recent data available). These data show that the technical indicator improved by 2.5 pp in 2019, mainly due to the decrease in the loss ratio (3.9 pp) to 93.0%.

Results and Profitability

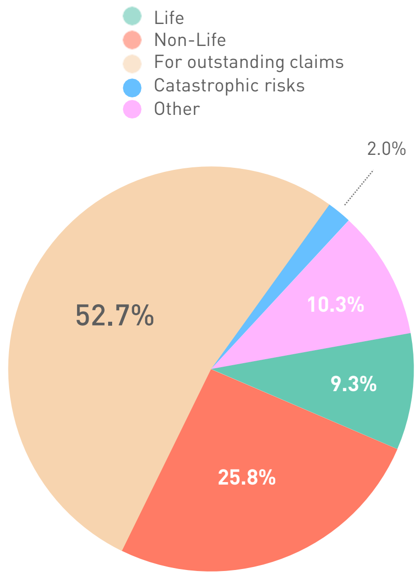
The consolidated result for the Dominican insurance industry as a whole in fiscal year 2019 (most recent data available) was 6.36 billion pesos (123 million dollars), 25.9% more than the previous year. These data were underpinned by an excellent technical result, 2.49 pp more over earned premiums than the previous year, reaching 7.04% due to this loss ratio improvement. With regard to earned premiums, the financial result also grew by 1.2 pp more than in 2018, reaching 7.9%. Return

Chart 3.1.8-i
Dominican Republic: Structure of Technical Provisions
(%)



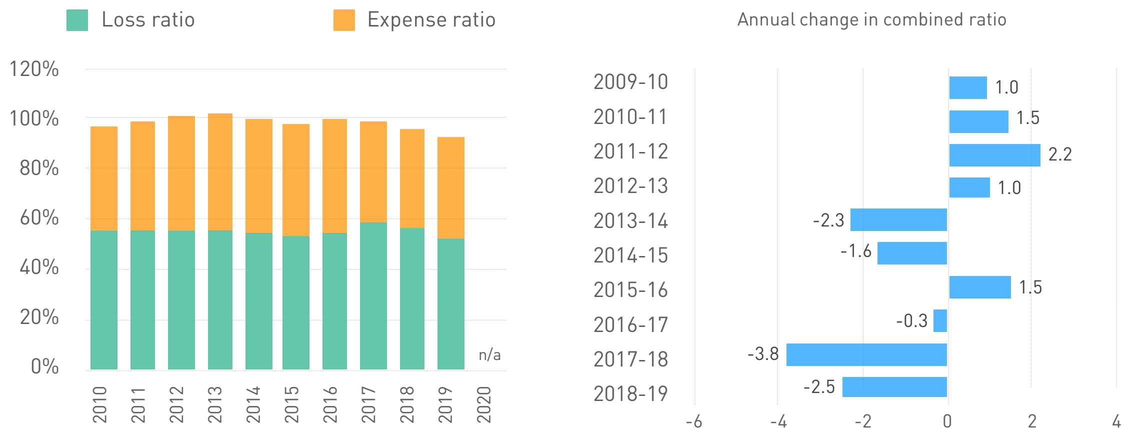
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-j
Dominican Republic: Structure of Technical Provisions, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-k
Dominican Republic: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



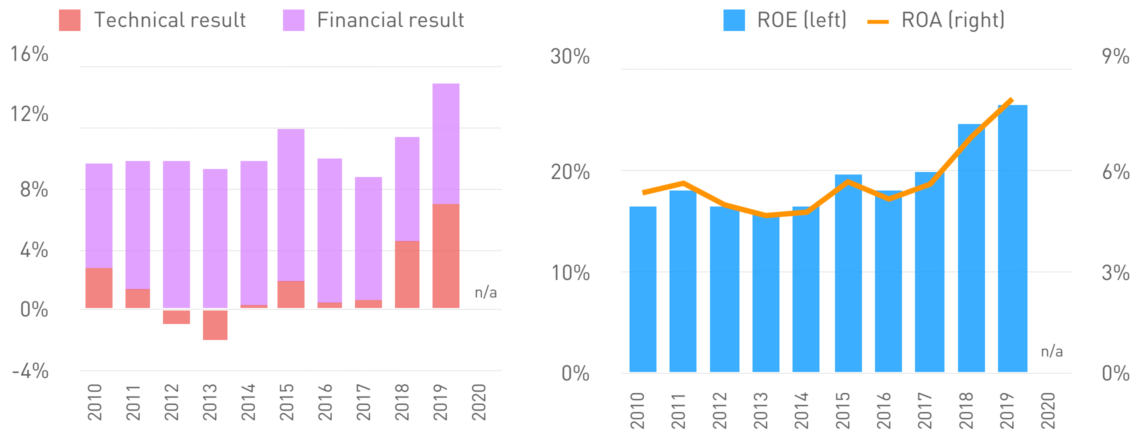
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

on equity (ROE) was 26.4% in 2019 (most recent data available), a figure that grew 1.7 pp year over year. Return on assets (ROA) was 8.2% in 2019 (1.1 pp more than in 2018). It is important to note that both indicators point to growth in the profitability trend that began in 2013 (see Chart 3.1.8-l).

Insurance penetration, density and depth

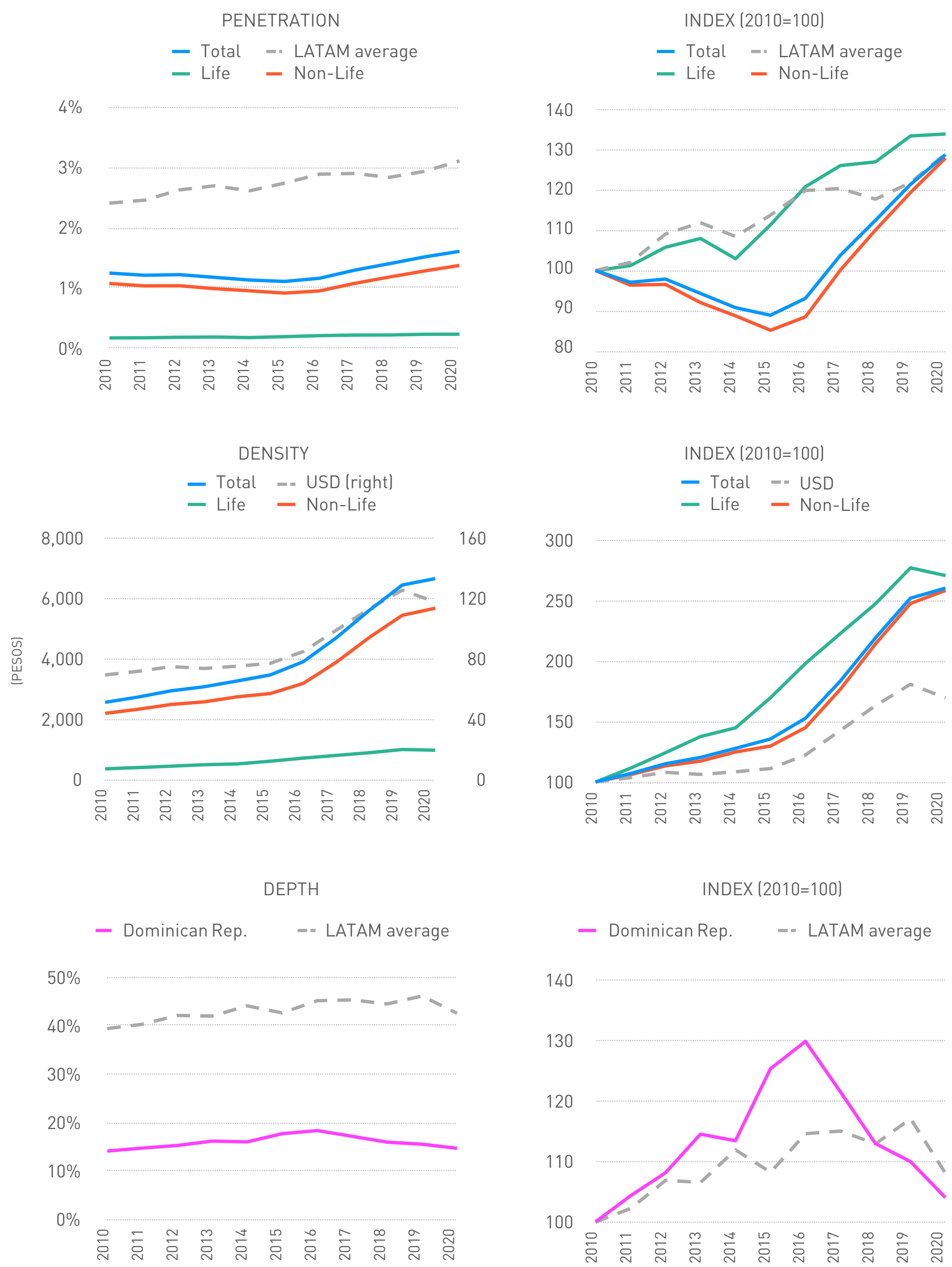
Chart 3.1.8-m shows the main structural trends shaping the development of the Dominican insurance industry over the 2010-2020 period. First, the penetration rate (premiums/GDP) fell from 2010 (1.3%) until 2015 (1.1%), when it began to grow in phases to 1.6% in 2020 (1.5% in 2019). As can be seen, the

Chart 3.1.8-l
Dominican Republic: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-m
Dominican Republic: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

penetration rate in the Dominican insurance market followed a slightly downward trend over the course of the period analyzed, reversing course in 2016, though it has remained far below the absolute averages for the markets in the region (3.1% in 2020) for the last 10 years.

Insurance density (premiums per capita) in the Dominican market stood at 6,659 pesos (118 dollars), 3.3 pp higher than in 2019 (6,447 pesos). Density (measured in local currency) followed an upward trend over the period under analysis in the Dominican market, registering cumulative growth of 160.4% between 2010 and 2020.

The insurance depth rate (Life insurance premiums vs total premiums) was 14.7% in 2020 (15.6% in 2019), meaning it was -0.9 pp less than the previous year and up 0.6 pp vs. 2010. Although depth in the Dominican market grew in step with the market trends for Latin America as a whole, its absolute levels were 27.9 pp below the regional average in 2020.

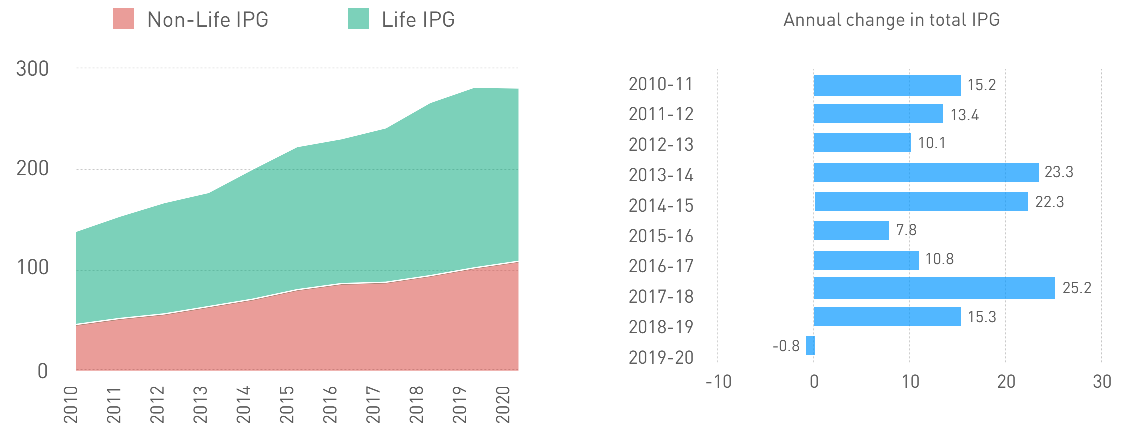
Estimation of the Insurance Protection Gap

Chart 3.1.8-n shows the estimated IPG for the Dominican insurance market between 2010 and 2020 is shown in Chart 3.1.8-n. These data show that the 2020 insurance gap stood at 280.58 billion pesos (4.95 billion dollars) in 2020, 3.9 times the size of the Dominican insurance market at the close of that year.

The structure and performance of the IPG over the period under analysis have been mainly shaped by the Life insurance segment. At year end 2020, 61.3% of the IPG corresponded to Life insurance (172.03 billion pesos), down -5.6 pp from the share seen in that segment in 2010 and -2.4 pp less than the previous year. The remaining 38.7% of the insurance gap can be explained by the contribution of the Non-Life insurance segment (108.54 billion pesos). Accordingly, the potential insurance market in the Dominican Republic at year end 2020 (calculated as the sum of the actual market plus the IPG) was estimated at 352.82 billion pesos (6.23 billion dollars), 4.9 times the size of the total insurance market that year (see Chart 3.1.8-o).

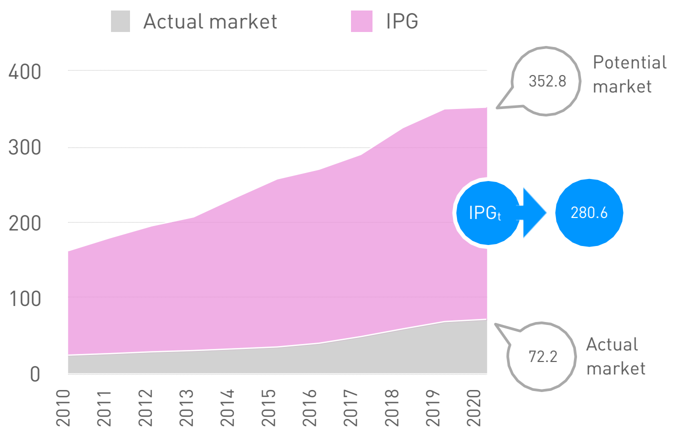
Chart 3.1.8-p shows an estimate of the IPG as a multiple of the actual insurance market in the Dominican Republic between 2010 and 2020. The insurance gap as a multiple of the market followed an upward trend until 2015, largely supported by the Non-Life segment, after which point the trend reversed as both

Chart 3.1.8-n
Dominican Republic: Insurance Protection Gap
(billions of pesos)



Source: MAPFRE Economics

Chart 3.1.8-o
Dominican Republic: Insurance Protection Gap and Potential Market
(billions of pesos)



Variation	Actual market	IPG
2020-2010	191.3%	103.3%
2020-2019	4.3%	-0.3%

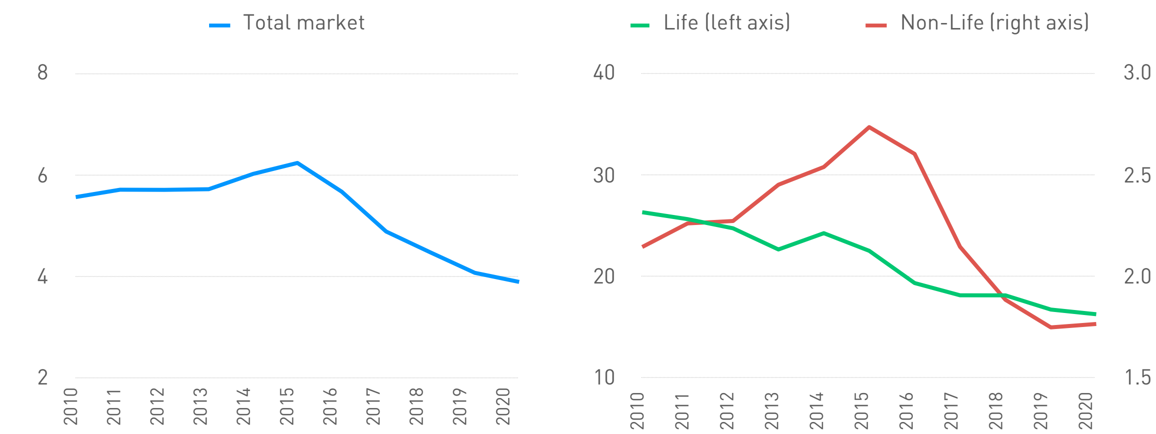
Source: MAPFRE Economics

lines showed a sustained drop in the IPG over time. The IPG as a multiple of market went from 5.6 to 3.9 times in that period, dropping notably in the last four years. In the life insurance segment, the indicator clearly decreased from 2010 to 2020, going from 26.3 to 16.2 times, while the decrease in Non-Life was not as pronounced (2.1 times to 1.8 in the last decade).

To complement this analysis, Chart 3.1.8-q summarizes the development of the IPG as multiple of the actual market for the Life segment, Non-Life segment, and overall Dominican insurance market in the last decade. Said chart shows that both lines of business narrowed the gap as a multiple of the market, although the insurance gap continued to be notably larger than in the case of Non-Life insurance.

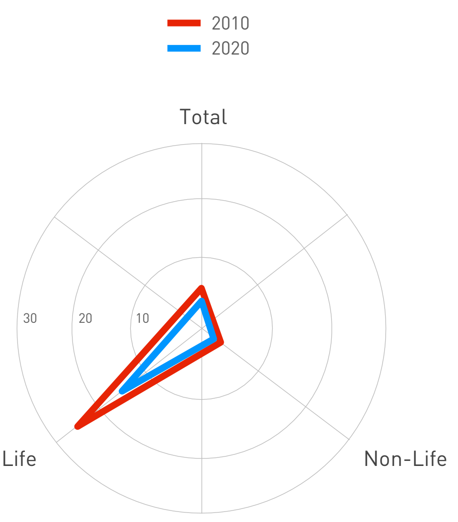
Chart 3.1.8-r provides a summary of the insurance market's capacity to bridge the insurance gap, using a comparative analysis

Chart 3.1.8-p
Dominican Republic: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.1.8-q
Dominican Republic: Change in IPG as a Multiple of the Actual Market



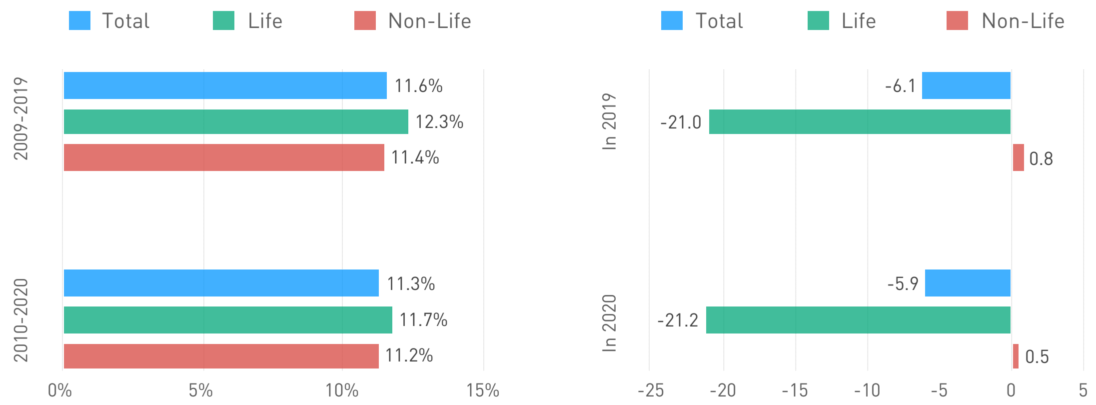
Source: MAPFRE Economics

between the growth rates observed over the last ten years and the growth rates that would be required to close the insurance gap determined in 2020 over the next decade. The Dominican insurance market grew at an average annual rate of 11.3%, which was comprised of an annual growth rate of 11.7% in the Life insurance segment and an 11.2% average annual rate for Non-Life insurance. This analysis shows that were the same growth rate seen over the last 10 years to continue for the next 10 years, the growth rate of Life insurance on the Dominican insurance market would be insufficient to bridge the insurance gap (falling -21.2 pp short), while it would be sufficient for the Non-Life segment. It is worth highlighting that this insufficiency widened slightly for Life insurance (-0.2 pp) in this analysis for 2019.

Market Development Index (MDI)

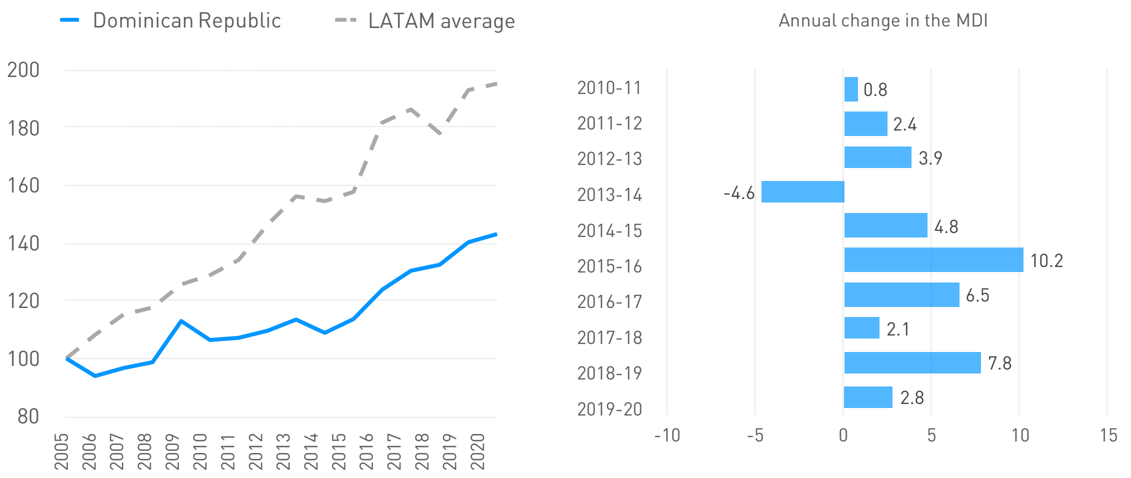
Chart 3.1.8-s shows an estimate of the Market Development Index (MDI) for the insurance industry in the Dominican Republic. The MDI (an indicator used in this report to analyze the overall trend in development and maturity of the insurance market) showed a positive trend throughout the 2010-2020 period, but it was clearly insufficient to converge with the average performance of the insurance markets in the region, standing 52 points below in 2020 and holding a similar spread for the last eight years.

Chart 3.1.8-r
Dominican Republic: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.1.8-s
Dominican Republic: Market Development Index (MDI)
(2005 index=100; annual change)

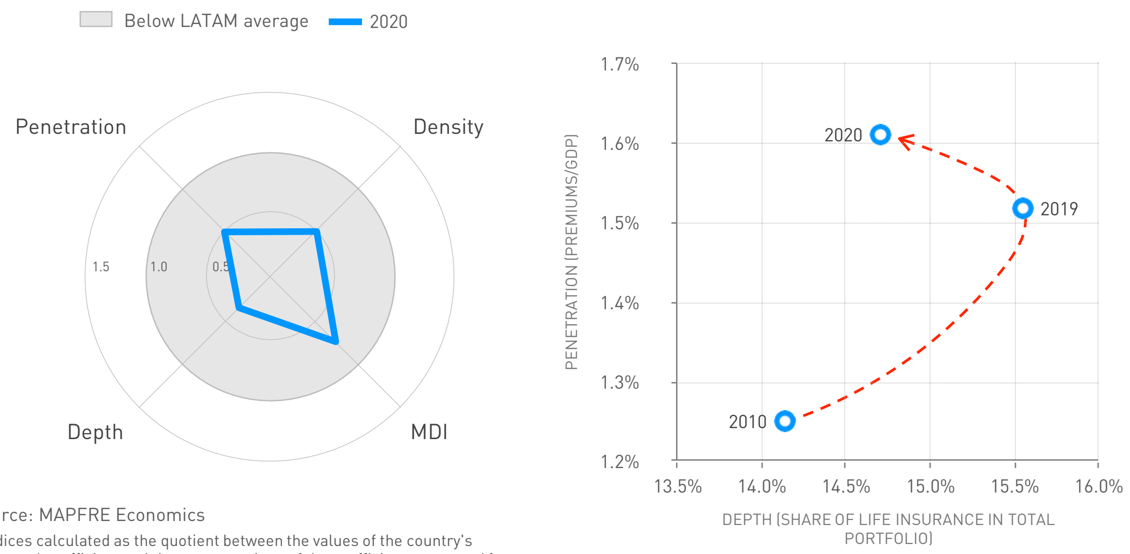


Source: MAPFRE Economics

Conjoint analysis of structural coefficients

Lastly, Chart 3.1.8-t summarizes the Dominican insurance market's situation in comparison with the Latin American average, measured in terms of the various structural coefficients analyzed. In this sense, all the country's indicators are below the average for Latin America, especially in terms of depth and density, although the latter is narrowing the distance with the regional average. This situation indicates that the market is still in a

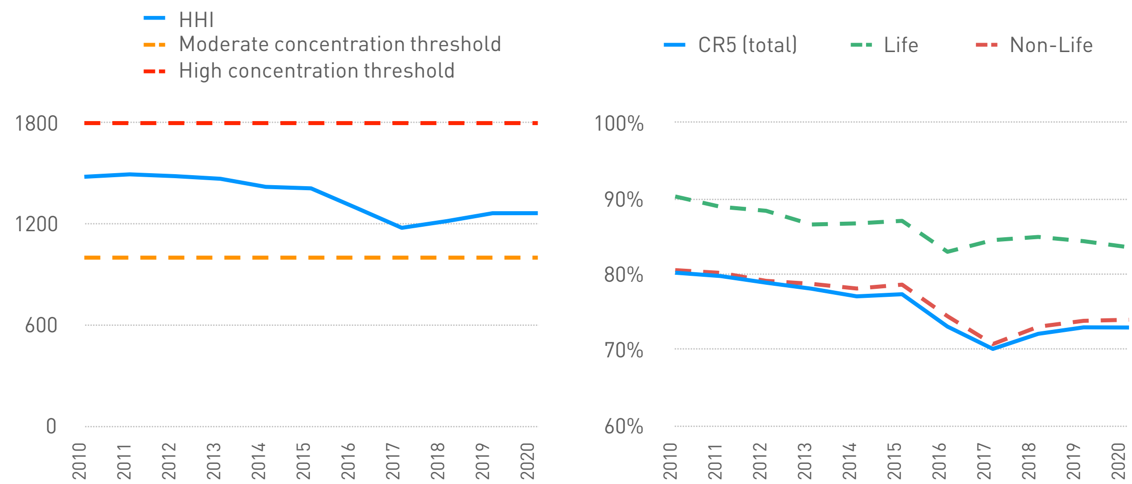
Chart 3.1.8-t
Dominican Republic: Comparative Structural Coefficient Index* vs. Latin America Average, 2020
and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.8-u
Dominican Republic: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

stage of emerging development compared to the average for the markets in the region as a whole.

Insurance Market Rankings

Overall ranking

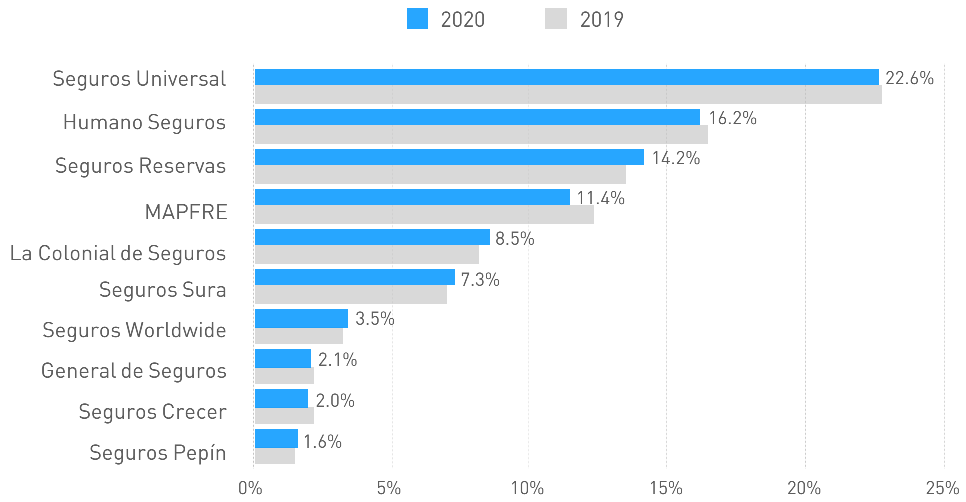
There was one more insurer operating in the Dominican market in 2020 than there was the previous year, bringing the total to 39 insurers in the country. The market is highly concentrated, although there has been a trend toward a falling degree of concentration over the last 10 years (see Chart 3.1.8-u). The Herfindahl index (1,263.3 in 2020) increased over the last four years and remained above the threshold indicating moderate concentration. The CR5 index also grew in a sustained manner over the last four years and stands at values similar to those seen in 2016 (73.0%), with the trend of the last four years being largely attributable to the Non-Life insurance segment.

The 10 largest insurers operating in the Dominican market in the overall ranking is practically the same as the previous year, with slight changes in position toward the bottom of the board, where General Seguros changed places with Seguros Crecer landing them in eighth and ninth place, respectively. The only event of note was the appearance of Seguros Pepin at the tail end of the ranking, overtaking La Monumental de Seguros. The top seven companies in the ranking remain unchanged from the previous year: Seguros Universal led the ranking with 22.6% of premiums (22.7% in 2019), followed by Humano Seguros (16.2%), Seguros Reservas (which gained 0.7% market share, reaching 14.2%), and MAPFRE (with 11.4% market share) remaining in fourth place (see Chart 3.1.8-v).

Non-Life and Life rankings

Given the significant relative weight maintained by Non-Life insurance within the overall Dominican market, the ranking for this segment is very similar to the overall ranking. The insurers in the 2020 Non-Life ranking are practically the same as those in previous years. The only event worth highlighting is the departure of Patria, which was in tenth place last year, and the entry of Compañía Dominicana de Seguros to take its place. Seguros Pepín and Monumental switched eighth and ninth places, respectively. The

Chart 3.1.8-v
Dominican Republic: total ranking
(market share, %)

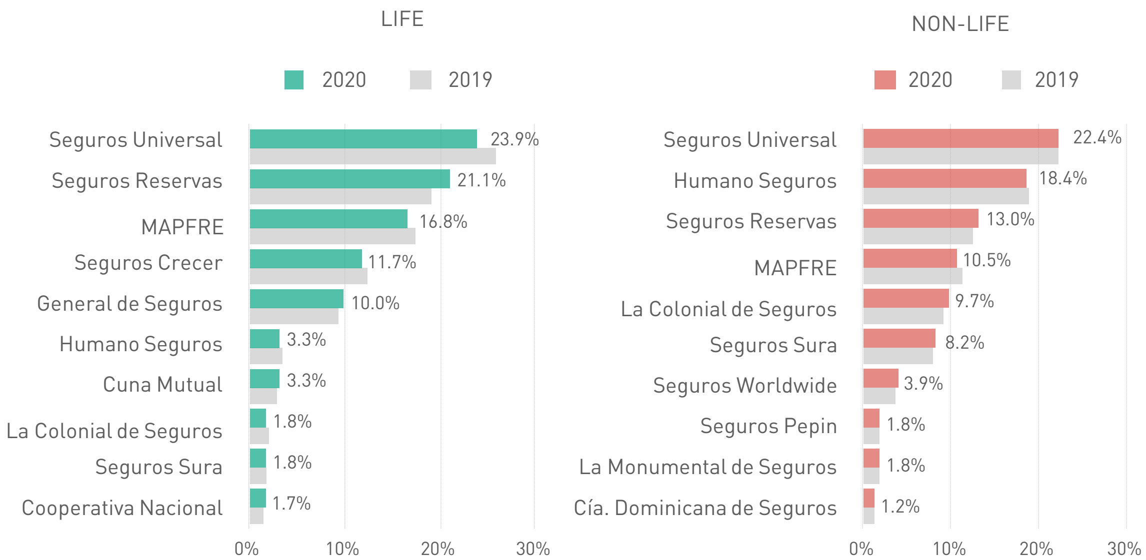


Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Ranking continued to be led by Seguros Universal with 22.4% (+0.3 pp), Humano Seguros with 18.4% (-0.4 pp), and Seguro Reservas with 13.0% (+0.6 pp).

The Life ranking continued to be led by Seguros Universal, with 23.9% of market premiums (-2.0 pp) followed by Seguros Reservas (21.1%), and MAPFRE in third place, with a market share of 16.8%. No other position changes took place compared to the previous year (see Chart 3.1.8-w).

Chart 3.1.8-w
Dominican Republic: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Key Regulatory Aspects

In terms of the most relevant regulatory aspects for the Dominican insurance market, the following provisions issued in 2020, both in terms of legislation and of prudential regulations by the Superintendency of Insurance and Reinsurance, should be noted:

Resolutions

- Resolution 02-2021, creating the Technical Commission to appraise assets and liabilities of companies in liquidation.
- Resolution 01-2021, creating the Superintendency of Insurance (SIS) User Care Center.

Circulars

- Circular 6 of March 3, 2020, establishing March 30 of each year as the deadline to update and file the Companies Registry certificate.
- Circular 8 of March 20, 2020, regarding the COVID-19 protocol.
- Circular 31 of October 6, 2020, on the requirement to implement the monitoring and handling system for license numbers assigned to insurance companies and insurance and reinsurance intermediaries.
- Circular 36 of November 4, 2020, establishing information requirements with commissions paid to intermediaries.
- Circular 2405 of December 28, 2020, anticipating a requirement for affidavits to be sent for collected premiums and the corresponding payment receipts.
- Circular No. 3-2021, providing a reminder of the prior SIS approval needed for insurance companies to sell new plans and/or services.
- External Circular No. 05-2021, regarding the start of the National Risk Assessment -ENR- 2015 – 2020, on money laundering, financing of terrorism to measure violations and threats.
- Circular No. 6, on Quality of Information of April 27, 2021, in terms of the obligation to carry a certificate or tag issued by the insurer with the insured vehicle's details.

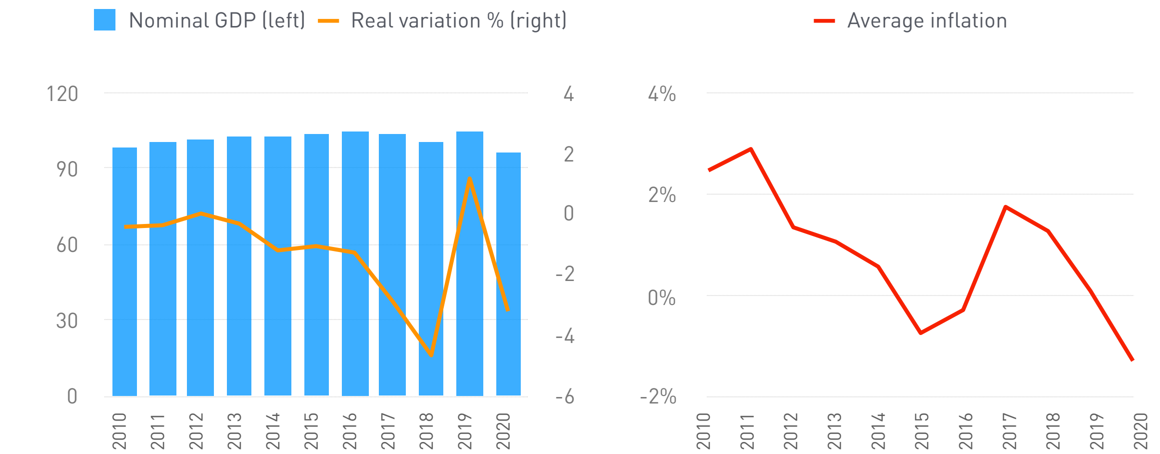
3.1.9 Puerto Rico

Macroeconomic Environment

The economy of Puerto Rico is estimated to have shrank -3.2% in real terms in 2020, compared to the 1.2% growth seen the previous year, reflecting the impact of earthquakes and the pandemic on the island's economy (see Chart 3.1.9-a). The biggest decelerating factors were private consumption, with a 9.4% drop, investment in construction (-37.3%), and investment in machinery and equipment (-14.4%). This was largely due to the decrease in travel abroad, followed by lower spending on transportation and recreation. The investment side contracted markedly, especially in terms of public investment in construction (-57.2%) in response to the need to use public funds to contain the negative effects of the pandemic on the private sector. With regard to foreign trade, exports stayed stable (-0.2%), sustained specifically by the chemical products manufacturing industry, while imports fell 8.1% and tourism also decreased (-20.7%, GDP directly from tourism). The inflation rate was 0.0% (0.5% in 2019) and the labor market had an unemployment rate of 8.4% (the same as in 2019).

The IMF forecasted the economy of Puerto Rico will grow by about 2.5% due to federal aid for the reconstruction of infrastructure damaged by natural disasters, larger economic stimulus packages for families and the private sector affected by the pandemic, and the roll out of vaccination campaigns.

Chart 3.1.9-a
Puerto Rico: Changes in Economic Growth and Inflation
(GDP in local currency, billions of USD; real growth rate, %; annual inflation rate, %)



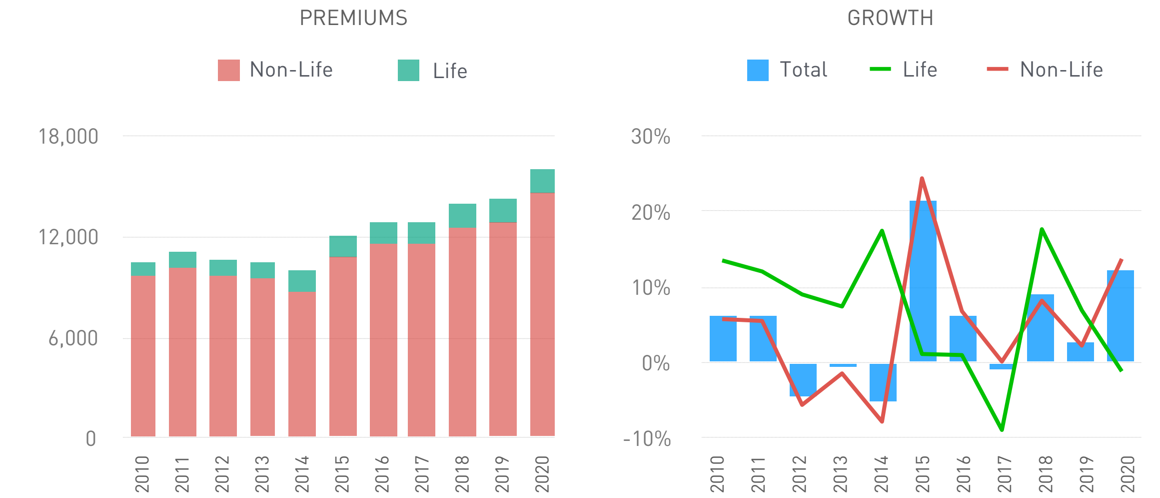
Source: MAPFRE Economics (based on IMF data)

Insurance Market

Growth

The Puerto Rican insurance market grew 12.3% in nominal terms (13.7% in real terms) in 2020, reaching 16.08 billion dollars in premiums, while growth in 2019 was 2.7% in nominal terms (see Chart 3.1.9-b and Table 3.1.9)[29]. In 2020, Life insurance premiums (which represent 8.9% of the market) fell -1.1% in nominal terms, while they grew in real terms by 0.2%. Meanwhile, Non-Life premiums increased by 13.8% in nominal terms, which translates into 15.3% growth in real terms. It is worth noting that 83.1% of the Non-Life insurance segment in the Puerto Rican market corresponds to Health insurance, which grew

Chart 3.1.9-b
Puerto Rico: Growth Developments in the Insurance Market
(premiums, millions of USD; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Table 3.1.9
Puerto Rico: Premium Volume[1] by Line, 2020

Line[2]	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**16,077**	**12.3**	**13.7**
Life	**1,435**	**-1.1**	**0.2**
Non-Life	**14,642**	**13.8**	**15.3**
Health	12,166	15.9	17.5
Auto	794	2.3	3.6
Third-party liability	280	0.7	2.0
Fire and/or allied lines	289	8.2	9.6
Transport	126	-8.9	-7.7
Other lines	986	7.5	8.9

Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)
1/ Gross written premiums net of returns and cancellations

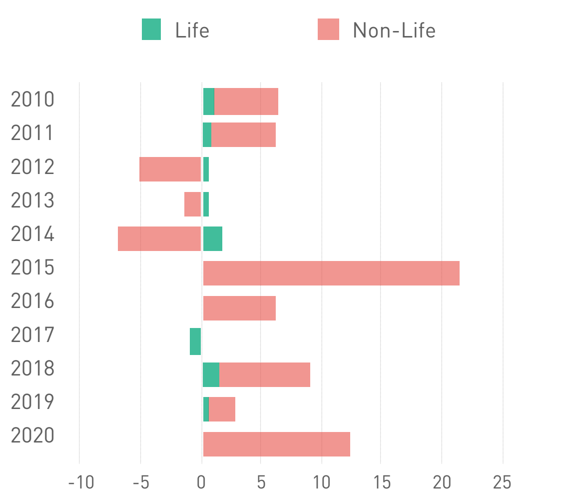
15.9% in 2020 real terms (17.5% in nominal terms); the other Non-Life modalities, except for transport, saw moderate growth both in absolute and relative terms.

Thus, as Chart 3.1.9-c shows, virtually all Puerto Rican insurance market growth in 2020 was attributable to Non-Life insurance, which contributed 12.4 pp, especially Health insurance, while the Life insurance segment made a negative contribution to industry growth with -0.1 pp.

Balance Sheet and Shareholders' Equity

Chart 3.1.9-d shows developments in the aggregate balance sheet for insurance companies domiciled in Puerto Rico over the 2010-2020 period. Total insurance industry assets amounted to 11.19 billion dollars in 2020, while equity stood at 3.23 billion dollars, up 9.3 pp from the previous year.

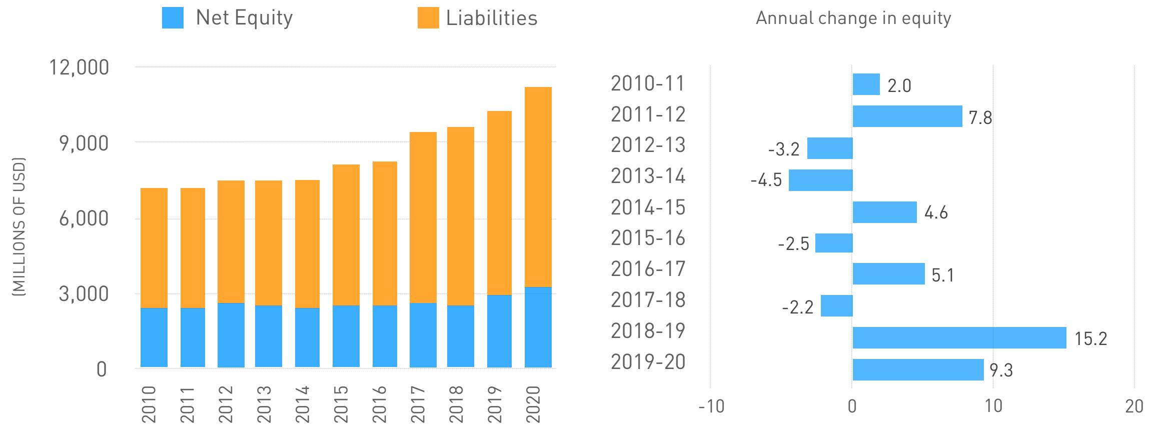
Chart 3.1.9-c
Puerto Rico: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	6.4	1.0	5.4
2011	6.1	0.9	5.1
2012	-4.4	0.7	-5.1
2013	-0.6	0.7	-1.3
2014	-5.2	1.7	-7.0
2015	21.5	0.1	21.4
2016	6.2	0.1	6.1
2017	-0.7	-0.9	0.2
2018	9.1	1.6	7.5
2019	2.7	0.7	2.1
2020	12.3	-0.1	12.4

Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Chart 3.1.9-d
Puerto Rico: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



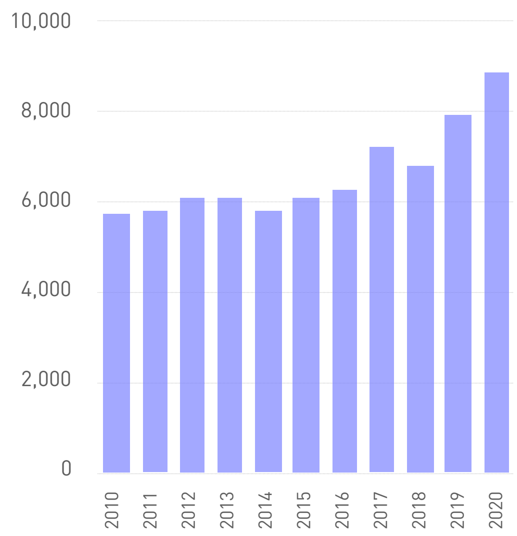
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Aggregate capitalization levels for insurance companies operating in this country (measured over total assets) were above 30% until 2016. They peaked in 2012 at 35.3% and fell subsequently, reaching 28.8% in 2020.

Investment and technical provisions

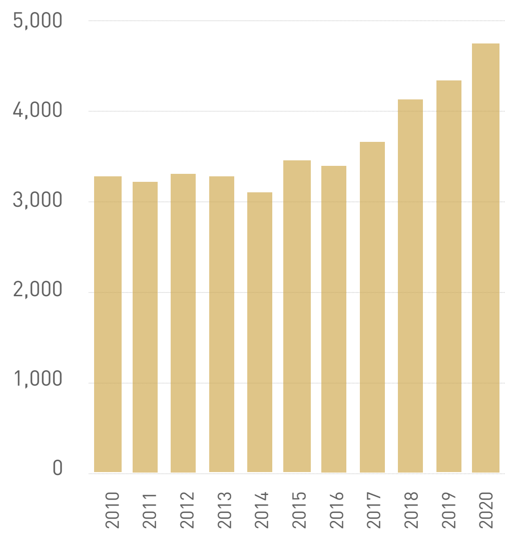
Chart 3.1.9-e shows the performance of the aggregate investment portfolio at the sector level for insurance companies in Puerto Rico over the 2010-2020 period. As these data show,

Chart 3.1.9-e
Puerto Rico: Insurance Market Investments
(millions of USD)



Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Chart 3.1.9-f
Puerto Rico: Technical Provisions of the Insurance Market
(millions of USD)

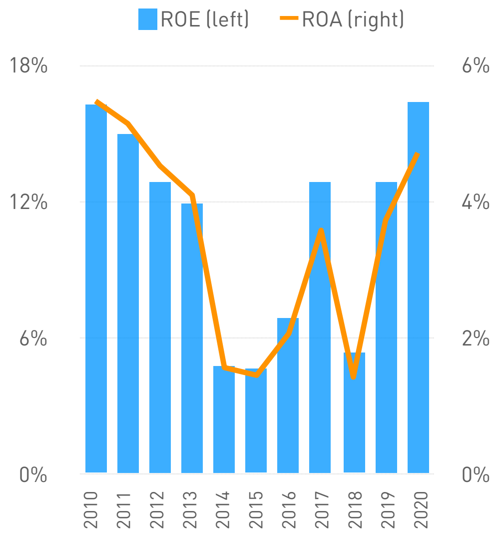


Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC) in 2020 the total portfolio amounted to 8.85 billion dollars, up 11.5% on the previous year. Chart 3.1.9-f shows developments in technical provisions at the sector level in the period analyzed, which reached 4.75 billion dollars in 2020, up 9.5% from 2019. Providing a more detailed disaggregation of the composition of both investment and technical provisions was not possible on the basis of available data.

Results and Profitability

The consolidated result for all insurance companies domiciled in Puerto Rico for 2020 was 527.3 million dollars, 38.4% more than the previous year. Turning to profitability parameters in the Puerto Rican market, the industry achieved return on equity (ROE) of 16.3% in 2020, up 3.4 pp on 2019. The same holds true for return on assets (ROA), which reached 4.7% in 2020, up 1.0 pp on 2019. The performance of both indicators improved the profitability growth trend for the Puerto Rican insurance industry, which was stunted in 2018, and reached levels similar to those seen in 2012 in 2020 (see Chart 3.1.9-g).

Chart 3.1.9-g
Puerto Rico: Profitability
(%; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Insurance penetration, density and depth

Chart 3.1.9-h shows the main structural trends shaping the development of the Puerto Rican insurance industry between 2010 and 2020. The penetration index (premiums/GDP) stood at 16.8% in 2020, up 3.2 pp on the previous year and 6.2 pp higher than in 2010. It is the highest indicator value to be found in all of Latin America and is largely because premium volumes in this segment include Health insurance for the poorest groups of society, which is managed by the insurance industry but covered by government budgets.

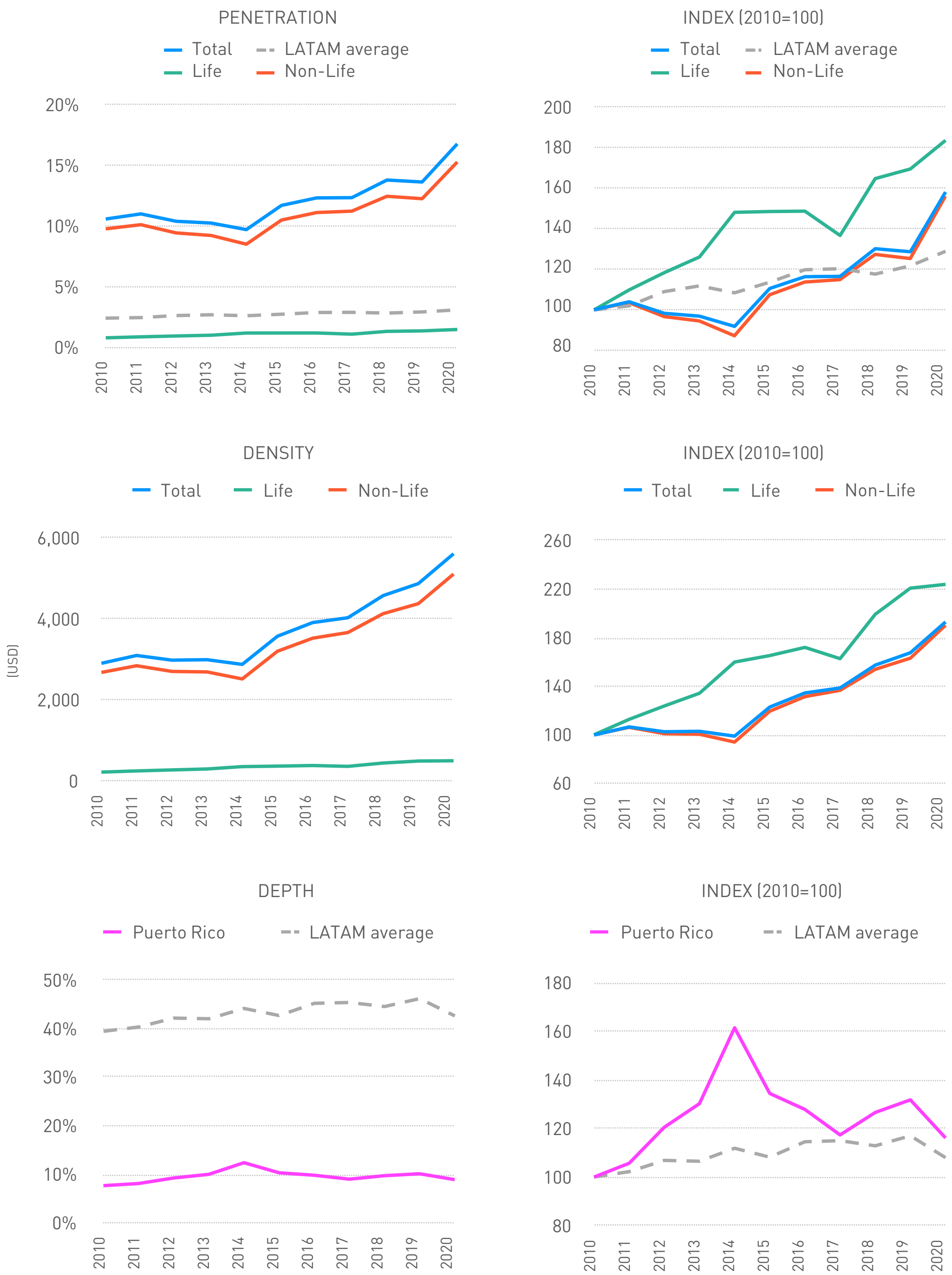
Insurance density in Puerto Rico (premiums per capita) came to 5,620 dollars (also the highest in the region), up by 15.1% from the previous year (4,882 dollars). As with penetration, density also showed a growing trend over the period analyzed, driven essentially by the Non-Life segment, with cumulative growth in local currency of 92.9% over the 2010-2020 period.

Depth in the Puerto Rican insurance market (measured as Life insurance premiums vs. total premiums) was 8.9%, down -1.2 pp from 2019 and up 1.2 pp from 2010. In contrast to the penetration and density indicators, the depth of the Puerto Rican insurance market grew overall below (-33.7%) the trend for the wider Latin American market.

Estimation of the Insurance Protection Gap

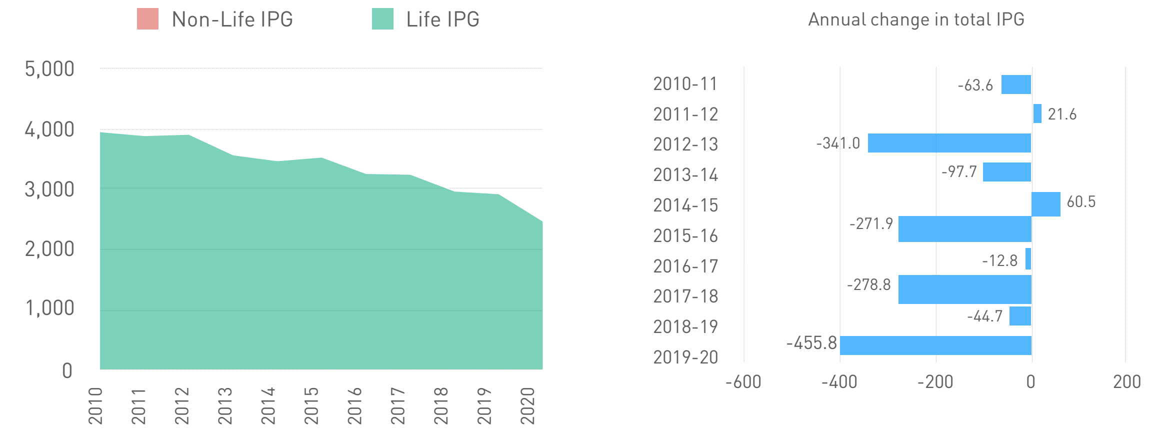
Chart 3.1.9-i provides an estimate of the IPG for the Puerto Rican insurance market over the 2010-2020 period.

Chart 3.1.9-h
Puerto Rico: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2010 index=100)



Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office)

Chart 3.1.9-i
Puerto Rico: Insurance Protection Gap
(millions of USD)



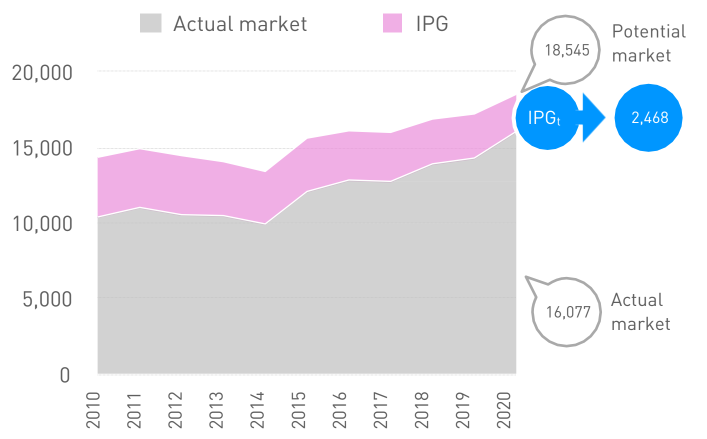
Source: MAPFRE Economics

According to these data, the insurance gap amounted to 2.47 billion dollars in 2020, 0.2 times the size of the insurance market in Puerto Rico at the close of that year.

The structure and performance of the insurance gap over the course of the period analyzed were mainly shaped by the Life insurance segment, due to the relative size of the Non-Life insurance segment (dominated by Health insurance growth). As Chart 3.1.9-j indicates, the potential insurance market in Puerto Rico at year end 2020 (sum of the actual market plus the IPG) was estimated at 18.54 billion dollars, 1.2 times the size of the total insurance market that year.

Chart 3.1.9-k shows an estimate of the IPG as a multiple of the actual market in Puerto Rico. The insurance gap as a multiple of the market (focused on the Life insurance segment), followed a downward trend over the 2010-2020 period, falling from 4.9 to 1.7 times.

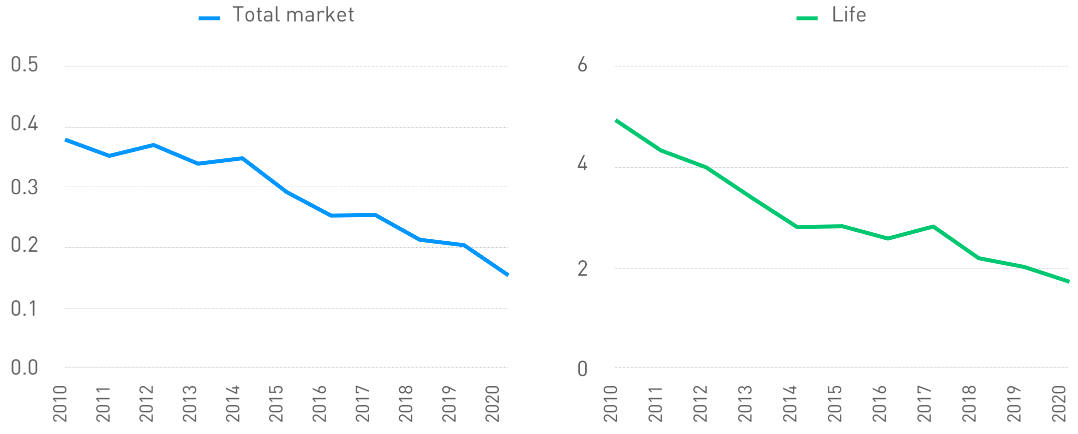
Chart 3.1.9-j
Puerto Rico: Insurance Protection Gap and Potential Market
(millions of USD)



Variation	Actual market	IPG
2020-2010	54.2%	-37.6%
2020-2019	12.3%	-15.6%

Source: MAPFRE Economics

Chart 3.1.9-k
Puerto Rico: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

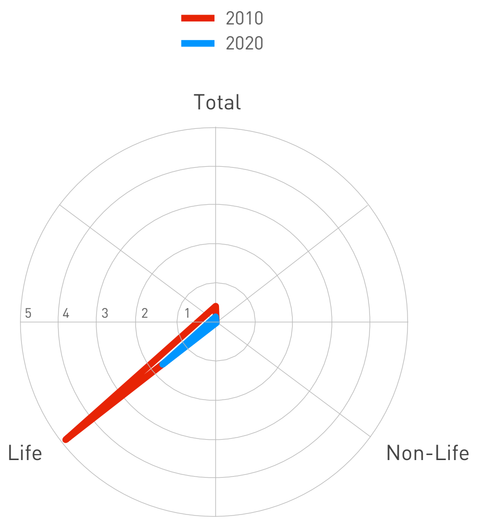
Chart 3.1.9-l complements this analysis by summarizing the change in the IPG as a multiple of the actual market for the Life segment, the Non-Life segment, and the Puerto Rican insurance market as a whole over the last decade, comparing the situation in 2020 to that in 2010. In this regard, an improvement can essentially be seen in the gap of the Life segment over the course of the last decade.

Chart 3.1.9-m provides a summary of the assessment of the Puerto Rican insurance market's capacity to bridge the insurance gap, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap estimated in 2020 over the next 10 years. The Puerto Rican insurance market grew at an average annual rate of 4.4% over the past decade, underpinned by an annual growth rate of 6.0% in the Life insurance segment and 4.3% in the Non-Life insurance segment. Were the same growth rate seen over the last 10 years to continue over the next 10 years, the growth rate of the Puerto Rican insurance market would fall -4.5 pp short of bridging the insurance gap in the Life insurance segment, where the IPG is concentrated in that insurance market; this insufficiency grew compared to 2019 (-4.2 pp).

Market Development Index (MDI)

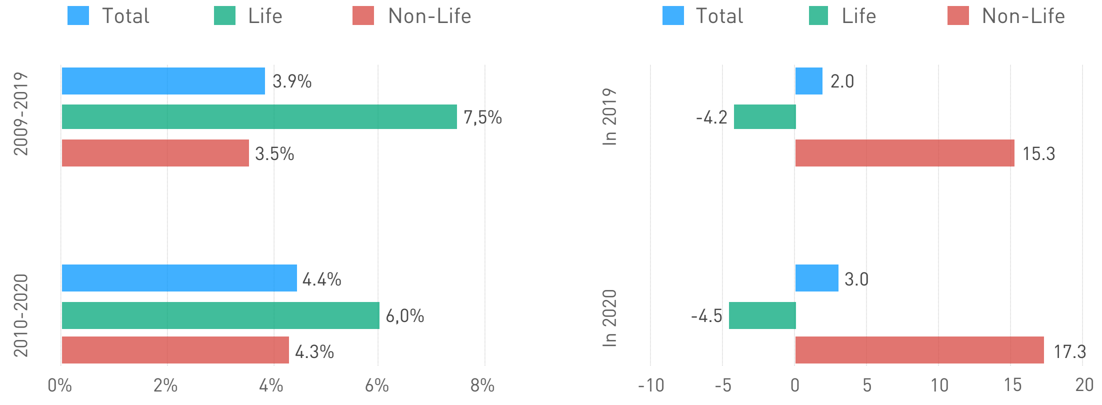
An estimate of the Market Development Index (MDI) for the insurance industry in Puerto Rico is shown in Chart 3.1.9-n. According to said

Chart 3.1.9-l
Puerto Rico: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.1.9-m
Puerto Rico: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



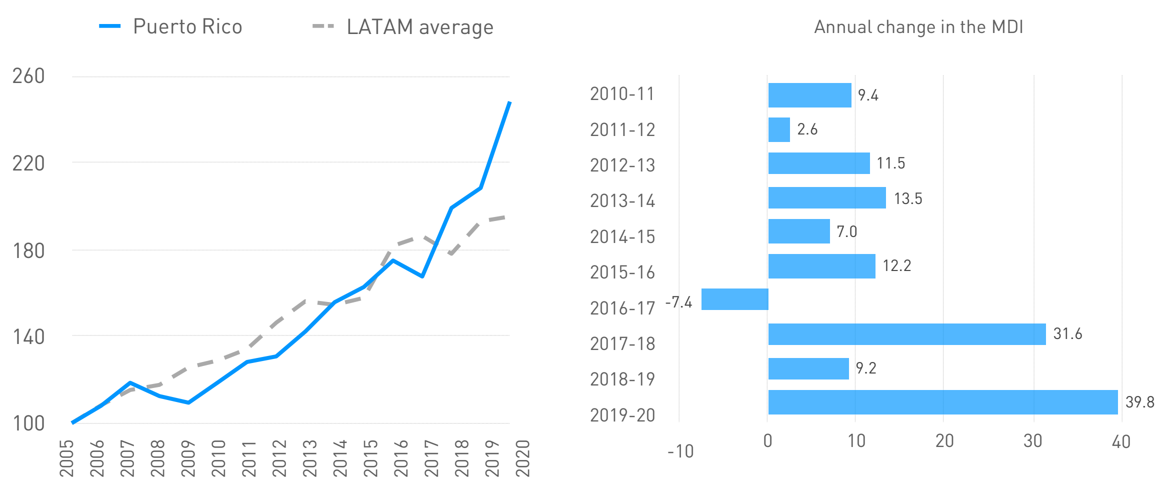
Source: MAPFRE Economics

data, the MDI has been following a clear upward trend since 2010 and has been above the insurance markets of Latin America for the last three years.

Conjoint analysis of structural coefficients

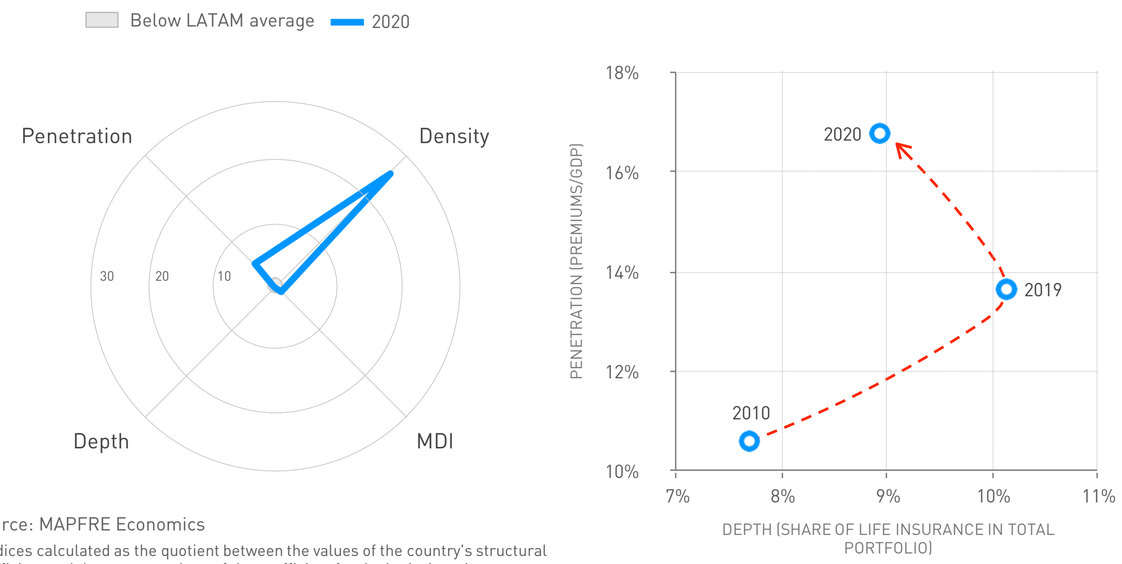
Lastly, Chart 3.1.9-o provides a summary of the insurance market situation in Puerto Rico compared to the average for Latin America measured in terms of the various structural indicators analyzed. In this sense, with the exception of the depth indicator (affected by insufficient development in terms of the Life insurance segment in the Puerto Rican market), all other indicators, especially penetration and density were far above the regional average. This is attributable to the above-mentioned high level of development of private health insurance in Puerto Rico.

Chart 3.1.9-n
Puerto Rico: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.1.9-o
Puerto Rico: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



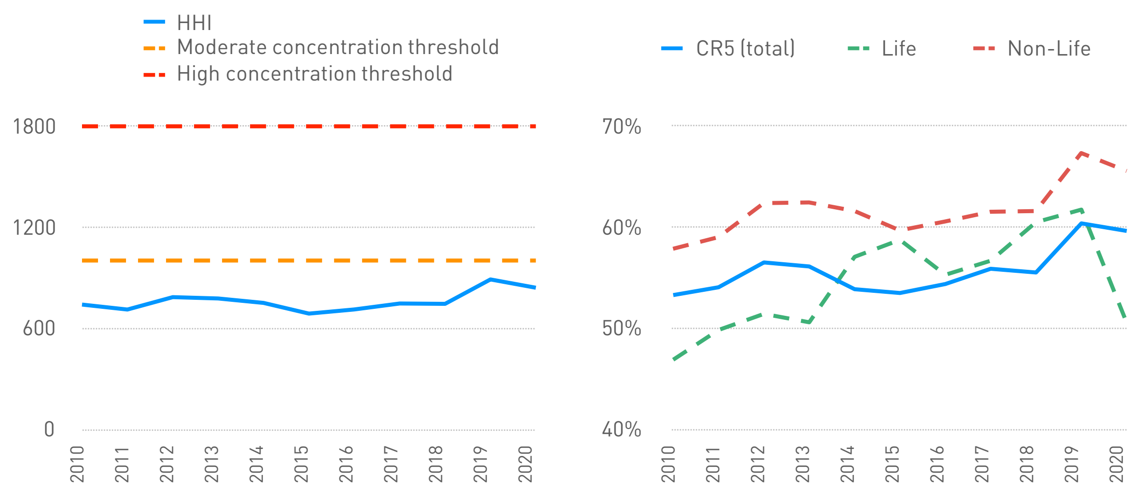
Source: MAPFRE Economics
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Insurance Market Rankings

Overall ranking

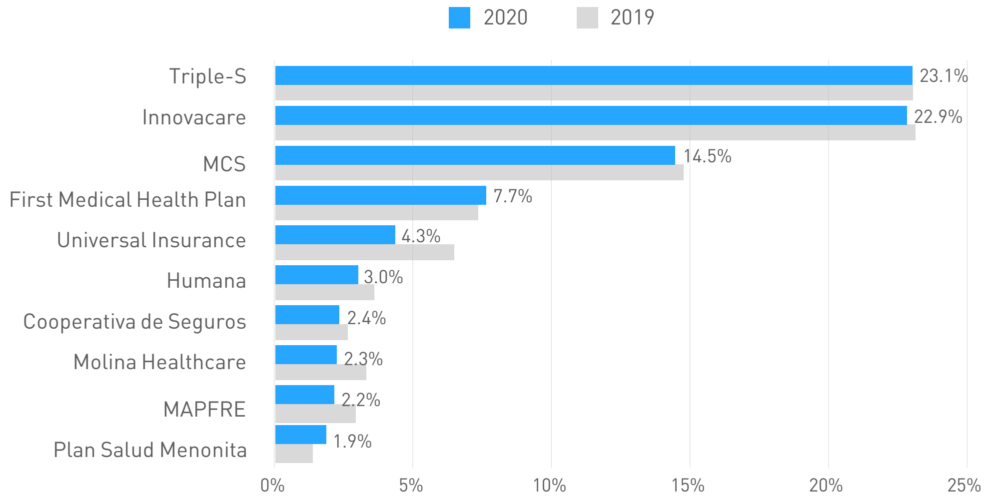
A total of 367 insurers operated in Puerto Rico in 2020, six less than in 2019, of which there were 47 domestic, 263 foreign, and 57 surplus lines. Based on this insurance market structure, the indices measuring market concentration show that concentration increased between 2009 and 2012 and then fell in the following three years, with a slight

Chart 3.1.9-p
Puerto Rico: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office)

Chart 3.1.9-q
Puerto Rico: Overall Ranking
(market share, %)

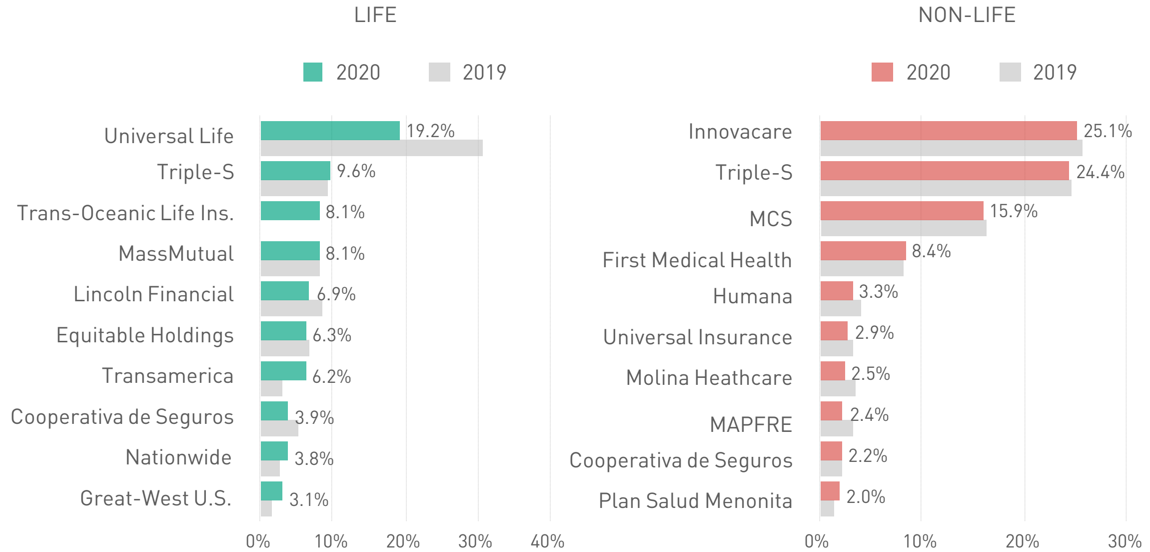


Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

recovery in 2019, which corrected downward in the last year. Regardless, the Herfindahl index shows that the level of concentration within the industry has remained consistently below the technical threshold indicative of moderate concentration. Notably, concentration went up particularly in the Life insurance segment in an uninterrupted trend until 2019, despite the fact that in 2020 it fell to levels similar to those seen in 2013 (see Chart 3.1.9-p).

In the overall ranking, the top three positions were held by the same groups as in 2019.

Chart 3.1.9-r
Puerto Rico: Life and Non-Life Ranking
(market share, %)



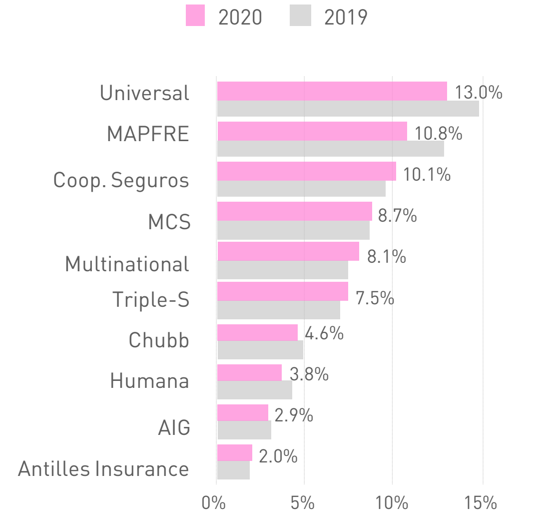
Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

Their market shares were quite far from the other market participants. However, this year, Triple-S took the top position, with 23.1% of total premiums, from InnovaCare, which moved to second with a market share of 22.9%. Finally, MCS held onto third place in the ranking with 14.5% (see Chart 3.1.9-q).

Non-Life and Life rankings

Given the relative weight of Health insurance in Puerto Rico, the total and Non-Life rankings are therefore very similar. The Non-Life ranking was thus headed for the second year by Innovacare, with 25.1% of premiums. Triple-S took second with a market share of 24.4%, while MCS took third with 15.9% of this segment's market share (see Chart 3.1.9-r). However, if the Non-Life ranking is analyzed excluding the Health business (see Chart 3.1.9-s), i.e., considering only the other lines of business in this segment, this ranking would be led by Universal, with 13.0% of the market share, followed by MAPFRE in second (10.8%) and Cooperativa de Seguros in third (10.1%).

Chart 3.1.9-s
Puerto Rico: Non-Life
Ranking (without Health)
(market share, %)



Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

The top three positions on the Life insurance segment ranking (Chart 3.1.9-r) were held by Universal Life, with a market share of 19.2% of premiums, followed by Triple-S with 9.6%, and Trans Oceanic Life Insurance held third place with 8.1%, a market share similar to that of Massachusetts Mutual Life, which landed in fourth place on the Life insurance segment ranking.

Key Regulatory Aspects

The following legal and regulatory adjustments were notably issued in 2020. They include amendments to the prudential regulatory framework for insurance, as well as a number of regulatory provisions issued by the Puerto Rico Insurance Commissioner's Office:

- Law 10-2020 approved on January 3, 2020, requiring all insurance companies and health services organizations to provide preventive care with mammograms and other preventive diagnostic tests as part of basic coverage.
- Law 14-2020 approved on January 4, 2020, establishing the "insurance consumer's bill of rights."
- Law 19-2020 approved on January 12, requiring basic health services coverage to include glucose every 3 years with replacement of damaged equipment and other services.
- Law 42-2020 approved April 16, 2020 establishing the "Own Risk and Solvency Assessment" (ORSA) regulatory framework for own risk and insurance company, health services organization, and insurance group solvency management and assessment.
- Law 43-2020 approved on April 16, 2020, creating the "Fight against COVID-19 Act" and establishing the Puerto Rican government's public coronavirus policy.
- Law 48-2020 approved on April 29, 2020, creating the "Cybertherapy in Puerto Rico Regulation Act," with the purpose of

promoting, facilitating, and including in our jurisdiction technological advances in physical therapy, occupational therapy, speech and language therapy, psychology, etc.

- Law 68-2020 approved July 16, 2020, amending Law 168-2018 known as the "Use of Telehealth in Puerto Rico Act," to authorize the practice of Telemedicine and Telehealth in Puerto Rico without requiring certification for the duration of the state of emergency declared for COVID-19.

- Law 76-2020 approved on July 31, 2020, creating the "Special Act to Prevent the Financial Exploitation of Seniors and Adults with Disabilities."

- Law 77-2020 approved on July 31, 2020, adding article 18.1 to Law 121-2019, ordering the Insurance Commissioner's Office to temper regulations under the above-mentioned statute pursuant to the provisions of that law.

- Law 79-2020 approved on August 1, 2020 creating the "Special Act to Ensure Cancer Patients' Access to Treatment and Diagnosis in Puerto Rico," which will be known as the "Gabriela Nicole Correa Santiago Act," to make treatment and diagnosis standards consistent for cancer patients in Puerto Rico

- Law 129-2020 approved on August 16, 2020, establishing the "Puerto Rican Condominium Act," updating the standards governing life in condominiums, including Building Insurance against Risks and Individual Owner's Rights, among other matters.

- Law 130-2020 approved on August 16, 2020, amending Articles 21,240 and 21,250 of Law No. 77 of June 19, 1957, to clarify the scope and definitions of a suretyship contract issued with the sale of a vehicle protection product, excluding the same from service contracts, and other related purposes.

- Law 134-2020 approved on September 1, 2020, establishing the "Patient Protection from Surprise Medical Bills Act," and adding Section 48 to Law 194-2011.

- Law 138-2020 approved on September 1, 2020 streamlining the allocation and payment process for claims submitted to insurance companies by healthcare service providers and other related purposes.

- Law 140-2020 approved on September 11, 2020 amending section (II) of Art. 6 of Law 253-1995, as amended, known as the "Mandatory Liability Insurance for Motor Vehicles Act" to modernize the notification process for any driver with the right to a reimbursement for having paid their mandatory insurance premium.

- Law 142-3030 approved October 9, 2020 prohibiting changes to medical criteria by insurance companies, requiring said companies to provide immediate temporary coverage so that the patient is not deprived of their medication until the claim is resolved and complete guidance for patients or insured parties whose prescriptions drug dispensations are denied and other related purposes.

- Law 149-2020 approved on November 18, 2020 granting immunity to healthcare professionals providing services to Trauma and Stabilization Center patients, pursuant to the provisions of subsection (3) of Article 12 of Law No. 81 of March 14, 1912 as amended.

- Law 154-2020 establishing that the contribution exemption for insurance companies in the country headquartered in Puerto Rico shall not apply to the additional contribution set out by virtue of Law 181-2019, known as the "Puerto Rico Fire Brigade Member Salary Adjustment Act."

- Law 162-2020 approved on December 30, 2020 amending subsection (1) (a) of Section 19,080 of Law No. 77 of June 19, 1957, as amended, known as the "Insurance Code of Puerto Rico" for the purposes of requiring proof of coverage and medical plan ID cards be provided in Braille for blind policyholders.

The following Regulatory Documents were issued as regulatory adjustments in the Puerto Rican insurance market:

- CN-2021-306-AS (6/29/2021). Extension of the Guaranteed Underwriting Period for Basic Individual Medical Plans Effective in 2022.
- CN-2021-305-AS (5/25/2021). Extension to File Forms and Rates for Metal Plans Effective in 2022.
- CN-2021-303-AS (5/25/2021). Information on Medical Plan Rates for Large Bona Fide Associations and Grandfathered Plans.
- CN-2021-304-D (5/17/2021). Homeowners Insurance for Condominiums and Apartments; Repeal of Regulatory Document No. CN-2020-285-D of August 21, 2006 and Regulatory Document No. N-AP-9-78-2006 of September 15, 2006.
- CN-2021-302-D (4/05/2021). Partial and Temporary Suspension of the Rate Registration Requirement Pursuant to Article 12,080 of the CSPR.
- CN-2021-301-D (3/30/2021). Rendering the Guidelines of Regulatory Document CN-2020-268-D Null and Void.
- CN-2021-300-AF (3/29/2021). Extension of the 2020 Annual Report Pursuant to Article 3,310 of the Insurance Code.
- CN-2021-299-D (Appendix) (3/18/2021). Mandatory Official Appendix/Endorsement for Recovery of Communal Repairs Paid to the AGSM.
- CN-2021-299-D (3/18/2021). Recovery of Communal Repairs Paid to the Association of Miscellaneous Insurance Guarantee of Puerto Rico.
- CN-2021-298-D (3/17/2021). Arbiter's Report on Appraisal Processes.
- CN-2021-298-D (3/17/2021). Arbiter's Report on Appraisal Processes (Appendix).
- CN-2021-294-AF (2/9/2021). Additional Contribution Over Premium Under Law 181-2019.
- CN-2021-292-D (1/28/2021). Codes for Sample Collection and the Administration of Medicine (COVID-19).
- CN-2021-291-AF (1/5/2021). Repeal of Regulatory Document No. CN-2020-282-AF on Additional Contribution Over Premiums Set Out in Law 181-2019.
- CC-2021-1985-D (4/8/2021). Process for Applying Using the MLI Form.
- CC-2021-1984-EX (2/24/2021). Reclassification of 2% of Catastrophic Exposure in the Catastrophic Reserves as Liabilities.
- CC-2021-1981-D (2/5/2021). Launch of the "Database Insured Information for P&C in Force Policies."

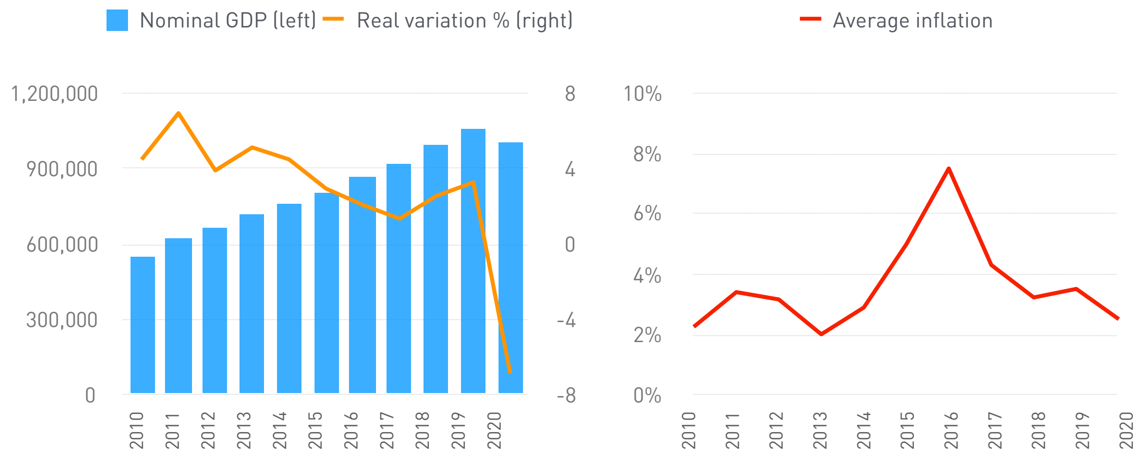
3.2 South America

3.2.1 Colombia

Macroeconomic Environment

As a result of the COVID-19 pandemic, the Colombian economy abruptly contracted by around -6.8% in 2020, in contrast with the positive performance the previous year with 3.3% growth (see Chart 3.2.1-a). The lockdown measures adopted to assuage the health emergency in addition to plummeting oil prices disrupted the economy, which was on the path to recovery. According to ECLAC estimates, the effects were felt intensely in the labor market, which lost 2.4 million jobs year-over-year in

Chart 3.2.1-a
Colombia: Changes in Economic Growth and Inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

August 2020 (11% of the total), including formal and informal jobs, with informal labor being one of the structural problems exacerbated by the pandemic. The average unemployment rate rose to 15.1% (9.9% in 2019). Nonetheless, the flexibilization of social distancing measures caused the economic situation to begin to improve in the second half of the year.

Ample liquidity provided by the central bank and fiscal aid measures for vulnerable families, individuals, and companies mitigated the drop in activity. The interest rate was cut seven times in 2020 from 4.25% in March to 1.75% in September, in addition to other unconventional monetary policy measures to inject liquidity, aid the payment system, and bolster financial institutions' credit supply. Average inflation stood at 2.5% and the nominal exchange rate depreciated in 2020 (with the average rate down -12.6% compared to the previous year). This was also associated with plummeting oil prices.

The fiscal aid measures implemented to support the economy caused the government's fiscal deficit to shoot up to 8.1% of GDP in 2020 (vs. 2.2% in 2019) due to increased public spending and a notable decrease in tax revenue. Public debt went up 10.5 pp of GDP to 62.8% (52.3% in 2019). The major increase in public debt and fiscal deficit forced the government to suspend the limits imposed by fiscal rules for 2020 and 2021. Although the major credit rating agencies maintained Colombia's credit rating at investment grade in 2020, they did downgrade the outlook. The credit rating was downgraded in 2021. Direct foreign investment fell -43%, although it has been on a notable upswing in 2021. The industries that contracted most were trade, industry, and construction, which fell between 25% and 35%. Only real estate and finance activities grew, albeit modestly.

The Colombian economy is expected to be able to recover its pre-pandemic level in 2021, supported by gains in employment, foreign consumption, and the price of oil. The economic growth projected by ECLAC for 2021 is 7.5%.

Insurance Market

Growth

In 2020, the Colombian insurance industry grossed 30.49 trillion pesos (8.25 billion dollars) in premiums, representing a nominal increase of 1.3% and a real decrease of -1.2%, with this performance heavily influenced by a nominal -1.2% dip in Life insurance and positive performance in Non-Life, with 2.5% growth (see Table 3.2.1 and Chart 3.2.1-b). The decrease

Table 3.2.1
Colombia: Premium Volume[1] by Line, 2020

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**30,489,756**	**8,254**	**1.3**	**-1.2**
Life	**9,220,345**	**2,496**	**-1.2**	**-3.6**
Life — individual and group	5,576,869	1,510	2.6	0.1
Pension insurance	3,643,475	986	-6.5	-8.8
Non-Life	**21,269,412**	**5,758**	**2.5**	**-0.1**
Auto	3,428,100	928	-6.3	-8.6
Other lines	3,071,925	832	6.2	3.6
SOAT[2]	2,883,490	781	2.2	-0.3
Health	2,215,421	600	10.9	8.2
Earthquake	998,621	270	10.9	8.2
Fire	1,026,339	278	11.8	9.1
Third-party liability	1,398,835	379	11.9	9.2
Personal accident	1,125,076	305	-6.0	-8.3
Transport	338,224	92	1.9	-0.6
Theft	443,585	120	5.6	3.0
Aviation	175,584	48	7.4	4.8
Credit	112,868	31	10.5	7.7
Workplace accidents	4,051,342	1,097	-1.3	-3.8

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)
1/ Gross written premiums
2/ Mandatory Traffic Accident Insurance

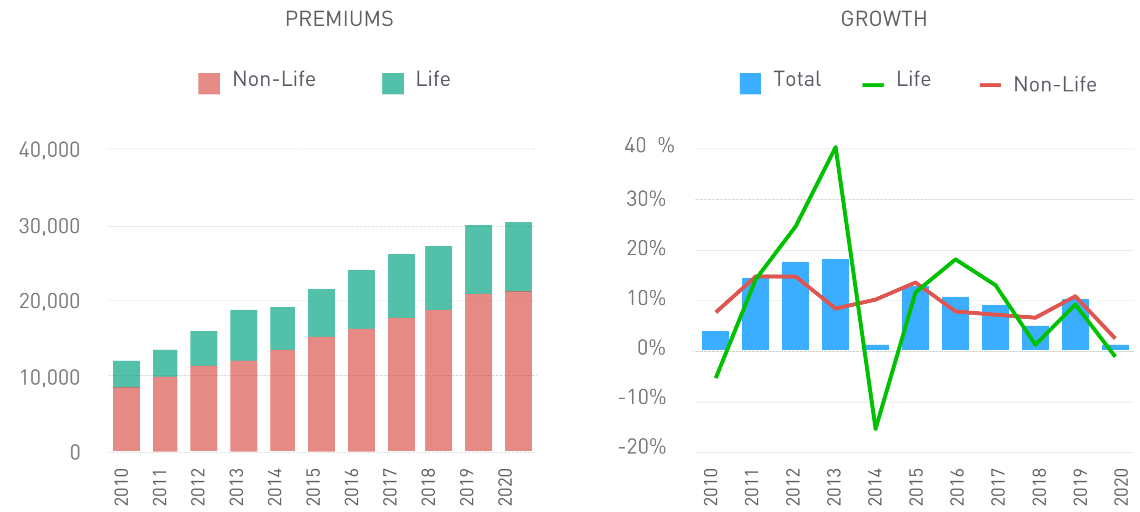
in Life insurance, representing 30% of the industry as a whole, was due to lower pension insurance sales, which fell -6.5% with drops in the mandatory insurance required by Pensions Act 100[30] (-21.5%), Temporary Income (-14.6%), and Periodic Financial Benefits (-11.4%). Non-Life insurance made up the remaining 70% of the market and grew in nominal terms in the majority of lines, except for Auto (-6.3%), Personal accident (-6.0%), and Workplace Accidents (-1.3%).

As occurred over the course of the last decade, with the exception of 2013, Non-Life insurance made the largest contribution to the growth of the Colombian insurance industry in 2020. It added 1.7 pp to the industry's total growth (1.3%) in 2020, while the Life segment did so with -0.4 pp (see Chart 3.2.1-c).

Balance Sheet and Shareholders' Equity

Chart 3.2.1-d shows the performance of the aggregate balance sheet at sector level for the Colombian insurance industry over the 2010-2020 period. These data show that total assets for the industry amounted to 91.49 trillion pesos (26.68 billion dollars). The industry's aggregate equity for the year was 15.40 trillion pesos (4.49 billion dollars), a slight (0.1%) increase over the previous year. Aggregate capitalization levels for the Colombian insurance industry (measured over total assets) dropped in 2020 as they represented 16.8% of assets at the end of the year, vs. 17.9% in 2019, above the capitalization levels in other relatively more developed markets in the region such as Mexico, Chile, and Brazil.

Chart 3.2.1-b
Colombia: growth developments in the insurance market
(premiums, billions of pesos; annual nominal growth rates, %)



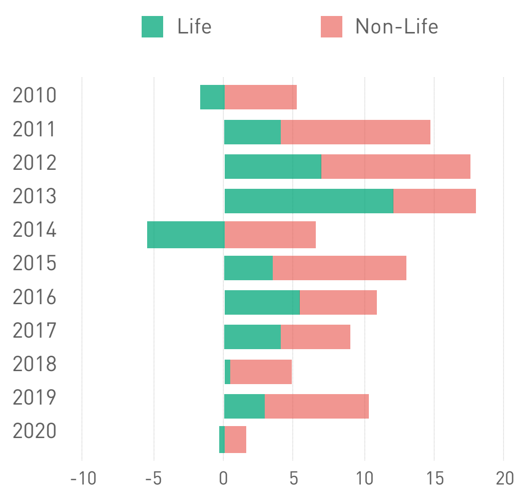
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Investments

Chart 3.2.1-e shows the evolution of Colombian insurance industry investments between 2010 and 2020, while Charts 3.2.1-f and 3.2.1-g show the developments in the investment portfolio over said period and specifically in 2020.

These data show that the investments of the Colombian insurance industry totaled 67.41 trillion pesos (19.65 billion dollars) in 2020, including cash and real estate (investment properties). In terms of structure, investment was concentrated in fixed income (80.4%) and, to a lesser extent (14.7%), in equity instruments.

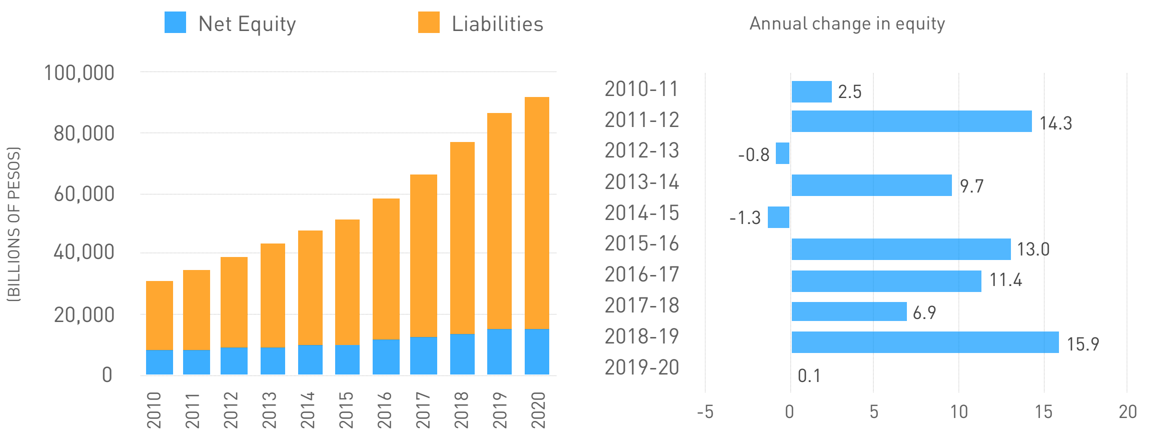
Chart 3.2.1-c
Colombia: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	3.6	-1.7	5.3
2011	14.6	4.0	10.6
2012	17.5	7.0	10.6
2013	18.0	12.1	5.9
2014	1.1	-5.5	6.6
2015	13.0	3.5	9.5
2016	10.9	5.3	5.5
2017	9.0	4.1	4.9
2018	4.9	0.4	4.5
2019	10.3	2.9	7.4
2020	1.3	-0.4	1.7

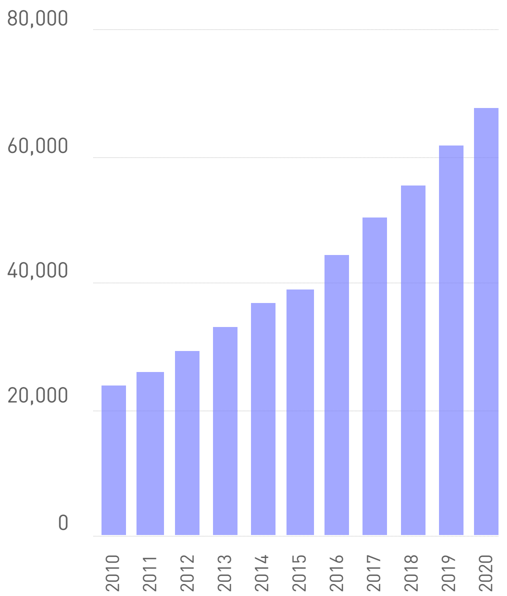
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-d
Colombia: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-e
Colombia: Insurance Market Investments
(billions of pesos)



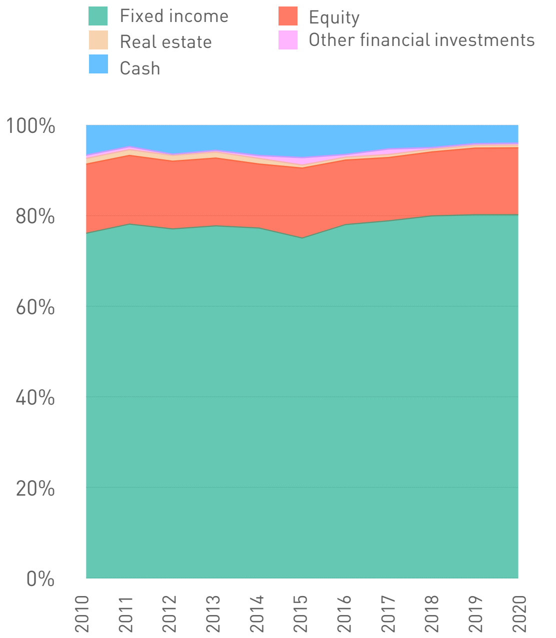
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Technical provisions

Chart 3.2.1-h shows changes in technical provisions over the 2010-2020 period, while Charts 3.2.1-i and 3.2.1-j show their relative composition over said period and specifically in 2020. Last year, technical provisions amounted to 68.17 trillion pesos (19.88 billion dollars). Of the total technical provisions, 49.1% related to Life insurance, 10.9% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 34.8% to provisions for outstanding claims, 2.6% to provisions for catastrophic risks, and the remaining 2.7% to other technical provisions.

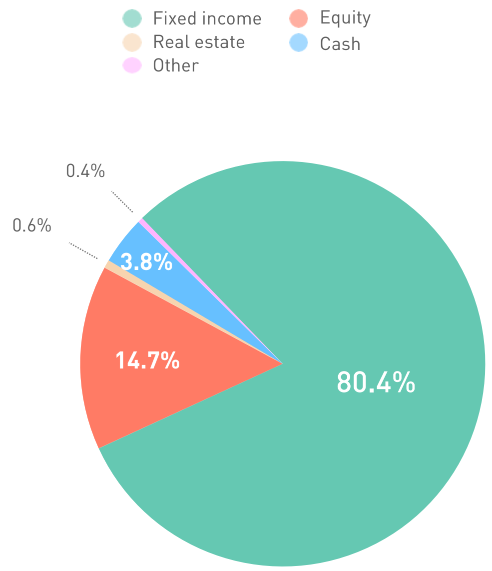
Notably, technical provisions for the Colombian insurance industry grew continuously over the 2010-2020 period. Life provisions have almost tripled in volume to 33.45 trillion pesos (9.75 billion dollars), although their share of total provisions fell from 60.2% in 2010 to 49.1% in 2020. Conversely, provisions for outstanding claims increased their share most, from 22.5% in 2010 to 34.8% in 2020.

Chart 3.2.1-f
Colombia: Structure of Investments
(%)



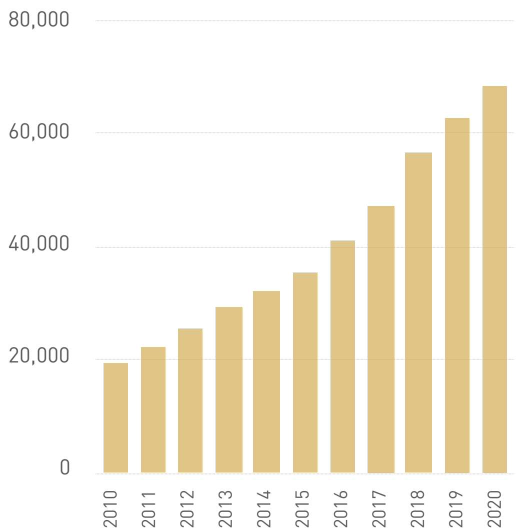
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-g
Colombia: Structure of Investments, 2020
(%)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-h
Colombia: Technical Provisions of the Insurance Market
(billions of pesos)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

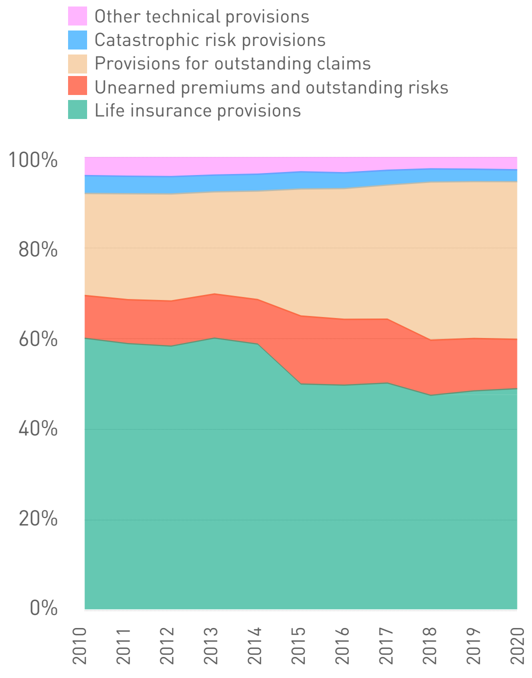
Technical performance

Unlike the previous year, the 2020 technical result for the Colombian insurance industry improved. The total combined ratio fell -0.4 pp vs. 2019 to 110.9%, thanks a lower loss ratio (-0.4 pp) and an unchanged expense ratio at 49.5% (see Chart 3.2.1-k). As Chart 3.2.1-l shows, the combined ratio for companies operating in Property & Casualty insurance (Non-Life) fell -1.8 pp in 2020 to 102.0% (103.9% in 2019), because the expense ratio went unchanged at 54.6% and there was a -1.8 pp drop in the loss ratio to 47.4%.

Results and Profitability

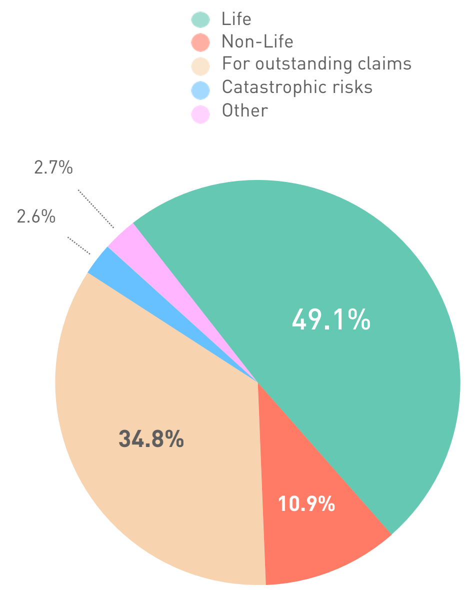
The net result from the Colombian insurance business was 1.5 trillion pesos (407 million dollars) in 2020, which translates to a -32.4%

Chart 3.2.1-i
Colombia: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

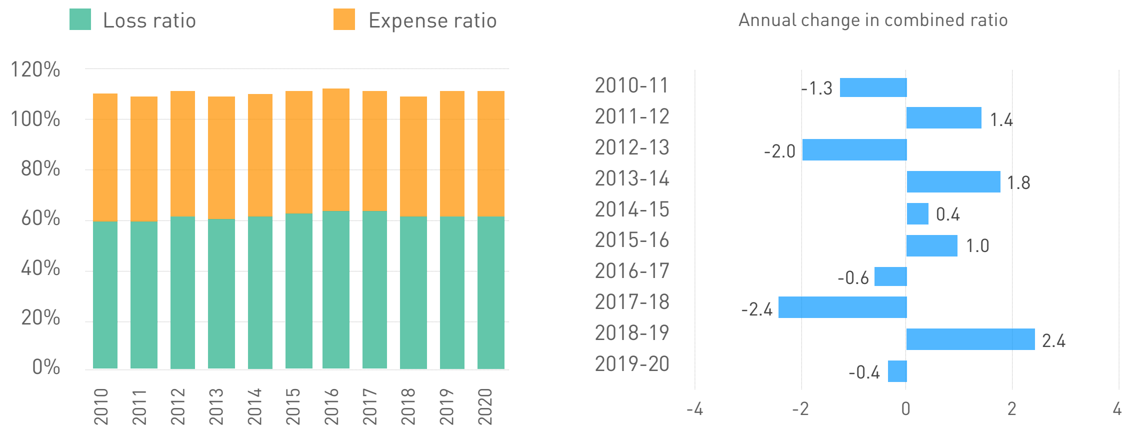
Chart 3.2.1-j
Colombia: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

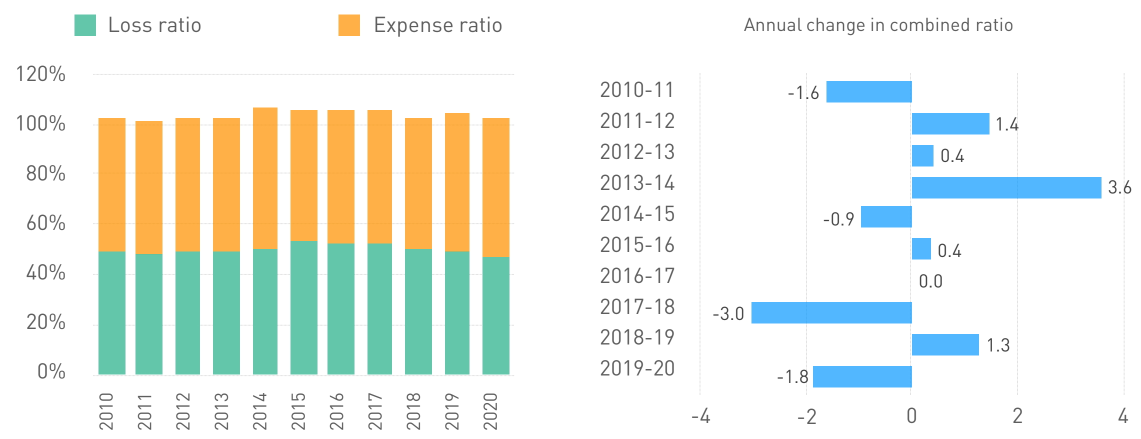
drop compared to the previous year. Despite the improved technical result, an -11.6% drop in the investment result was the main cause of a lower result for the Colombian insurance industry in 2020. Industry profitability was down from 2019. Return on equity (ROE) was 9.8%, compared to 14.4% the previous year. The same situation occurred with the return on assets (ROA), which was 1.6% in 2020, meaning a 0.9 pp drop vs. the previous year (see Chart 3.2.1-m).

Chart 3.2.1-k
Colombia: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-l
Colombia: Changes in Non-Life Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



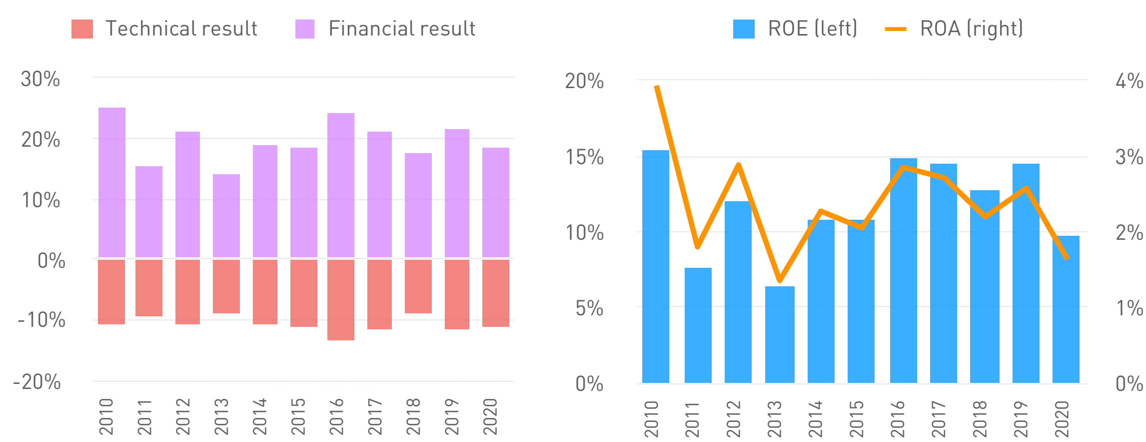
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Insurance penetration, density and depth

Chart 3.2.1-n shows the main structural trends shaping the development of the Colombian insurance industry over the 2010-2020 period. The 2020 penetration rate (premiums/GDP) was 3.0%, up 0.2 pp vs. the previous year. Generally, the penetration rate for the Colombian insurance market has been on an upward trend since 2010, in line with the average for the Latin American insurance market as a whole.

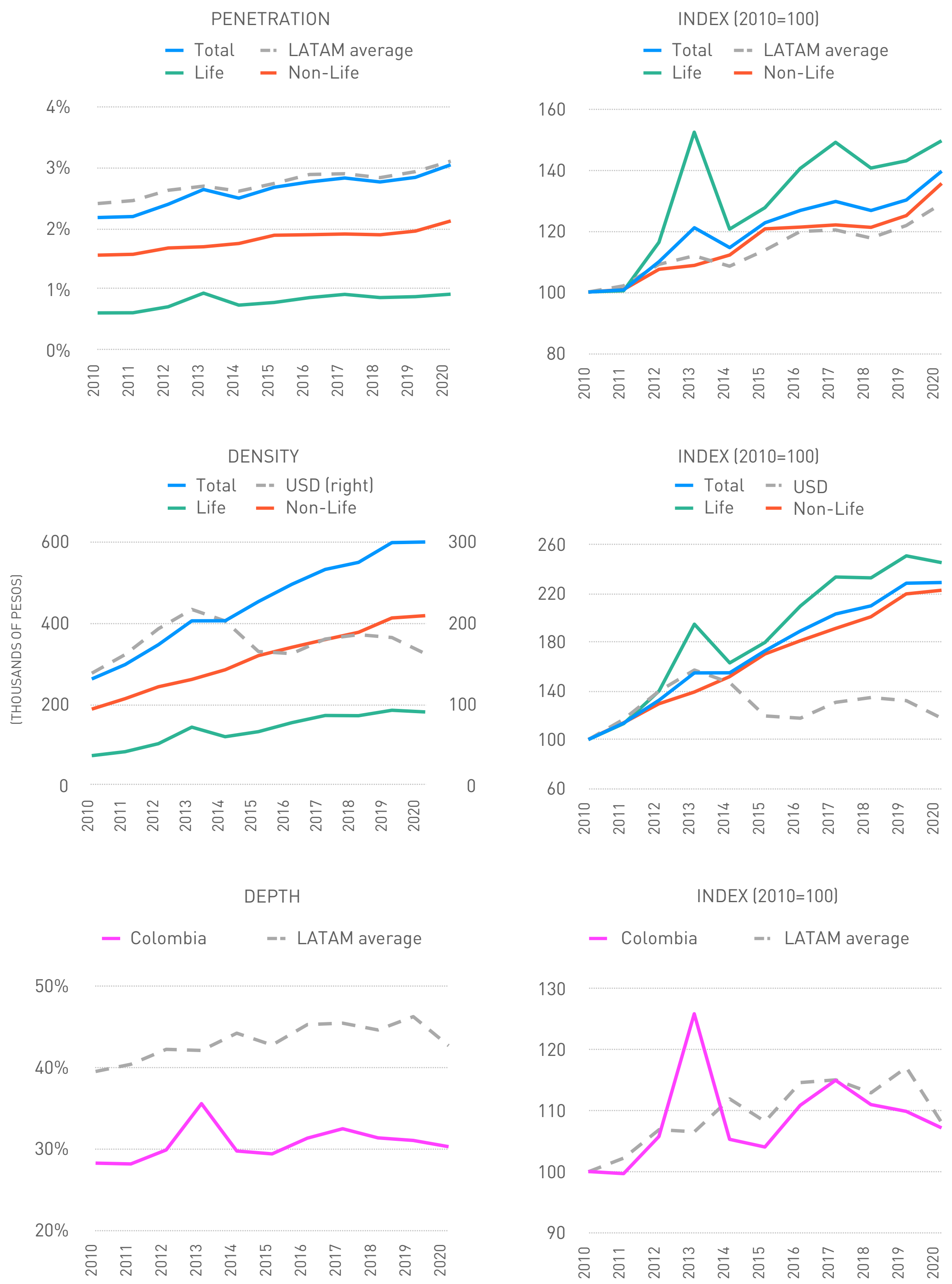
The density indicator (premiums per capita) amounted to 599,214 pesos (162 dollars) in 2020, up 0.3% on the level reached the previous year. Similar to to the penetration rate, density

Chart 3.2.1-m
Colombia: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-n
Colombia: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

in the Colombian market (measured in local currency) showed an upward trend over the 2010-2020 period. However, when measured in dollars, it shows a decline from 2013 through 2016 as a result of the devaluation of the Colombian peso against the US dollar. This situation reversed in 2017, but occurred once again in 2019 and 2020.

Depth in the Colombian insurance market (Life insurance premiums vs. total premiums) was 30.2% in 2020, i.e., -0.8 pp less than in 2019 and 2 pp above the value reached in 2010. This indicator has performed disparately over the last decade, hitting a historical maximum in 2013 (35.5%) and then practically stagnating from 2014 on. It should also be noted that the depth index for the Colombian insurance market has remained consistently below the indicator's average absolute values for the Latin American average.

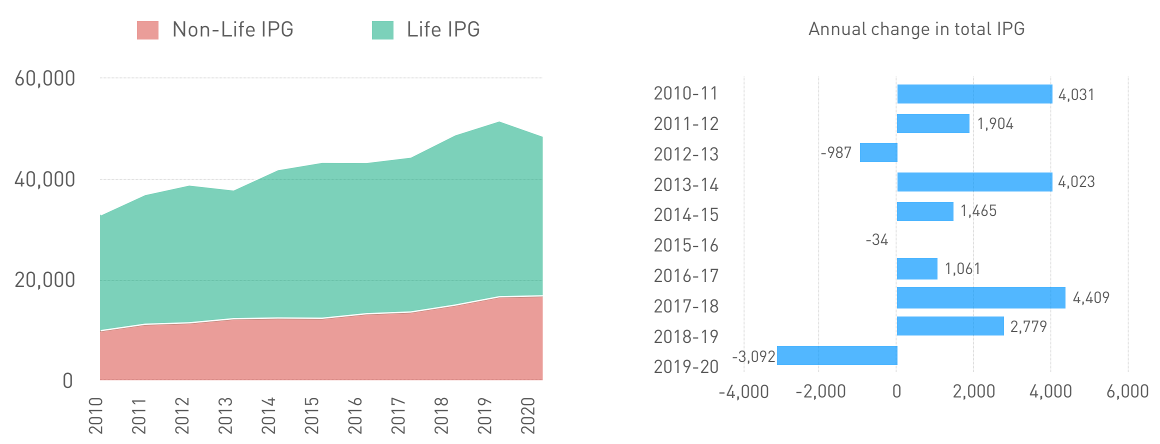
Estimation of the Insurance Protection Gap

Chart 3.2.1-o provides an estimation of the IPG for the Colombian insurance market between 2010 and 2020. According to these data, the 2020 IPG was 48.37 trillion pesos (13.09 billion dollars), representing 1.6 times the actual Colombian insurance market at year end, a drop (-3.092 billion pesos) determined by the effects of the abrupt contraction of the GDP and the relative resilience of insurance demand. As occurred in most Latin American insurance markets, Life insurance contributions dominated the structure and performance of the IPG over the course of the period under analysis. As such, 65% of the IPG was attributable to Life insurance (31.6 trillion pesos) at 2020 year end, down -4.6 pp compared to 2010. The remaining 35% of the insurance gap is attributable to the contribution of the Non-Life insurance segment (16.76 trillion pesos).

As such, as Chart 3.2.1-p shows, the potential insurance market at year end 2020 (actual market plus the IPG) was estimated at 78.86 trillion pesos (21.35 billion dollars), representing 2.6 times the total insurance market that year.

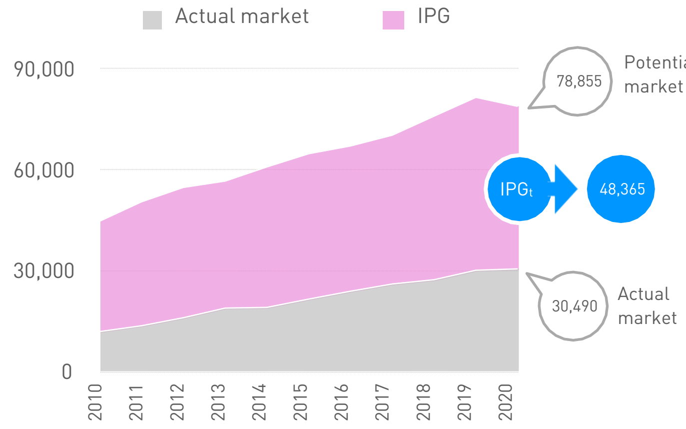
Chart 3.2.1-q shows an estimate of the insurance gap of the Colombian market as a multiple of the actual insurance market in each year of the period under analysis, showing a steady downward trend throughout the 2010-

Chart 3.2.1-o
Colombia: Insurance Protection Gap
(billions of pesos)



Source: MAPFRE Economics

Chart 3.2.1-p
Colombia: Insurance Protection Gap and Potential Market
(billions of pesos)



Variation	Actual market	IPG
2020-2010	157.3%	47.4%
2020-2019	1.3%	-6.0%

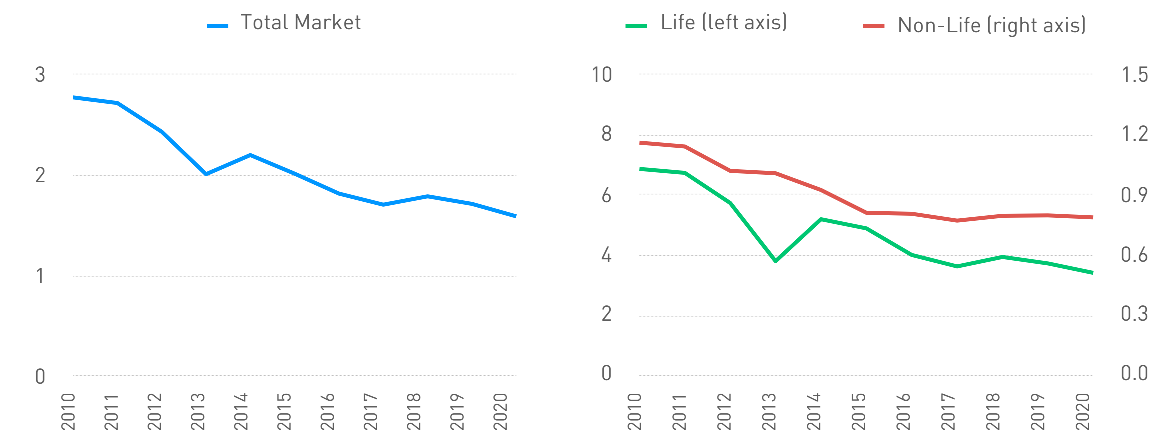
Source: MAPFRE Economics

2020 period. In thatperiod, the total gap went from 2.8 to 1.6 times the actual market. A similar situation emerges for the Life market multiple, which fell from 6.9 to 3.4 (though with a small upturn in 2014), and for the Non-Life market, which fell from 1.2 to 0.8.

Chart 3.2.1-r complements this analysis by providing an outline of the performance of the insurance gap as a multiple of the actual market for the Life segment, the Non-Life segment, and the Colombian insurance market as a whole over the last decade, comparing the situation in 2020 to that in 2010. These data show an improvement of the gap as a multiple of the actual market mainly in the Life segment with marginal variation in the Non-Life segment.

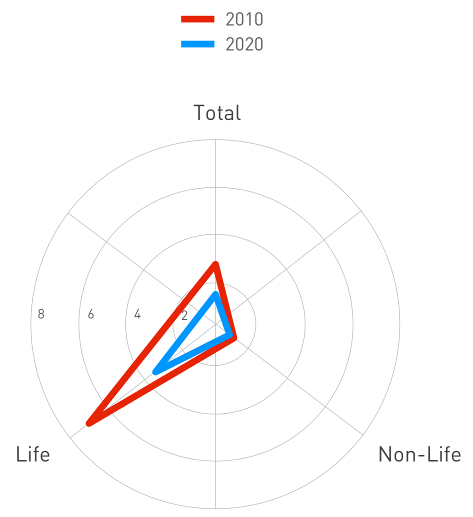
Chart 3.2.1-s shows an update to the assessment made in terms of the Colombian insurance market's capacity to bridge the insurance gap estimated in 2020, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates needed to close the gap over the next 10 years. According to this analysis, the Colombian insurance market grew at an average annual

Chart 3.2.1-q
Colombia: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.2.1-r
Colombia: Change in IPG as a Multiple of the Actual Market



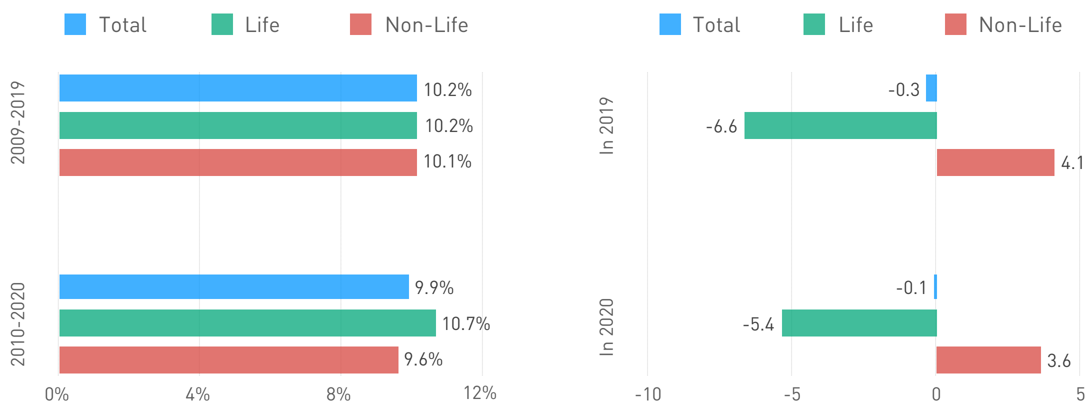
Source: MAPFRE Economics

growth rate of 9.9% in 2010-2020. This growth was comprised of an annual rate of 10.7% in the Life insurance segment and an average annual rate of 9.6% in the Non-Life insurance. Were the same growth rate seen over the last 10 years to continue over the next 10 years, the growth rate of the Colombian insurance market would only be sufficient to bridge the insurance gap in Non-Life insurance, while that rate would fall -5.4 pp short in the Life insurance segment, an improvement on the 2019 value.

Market Development Index (MDI)

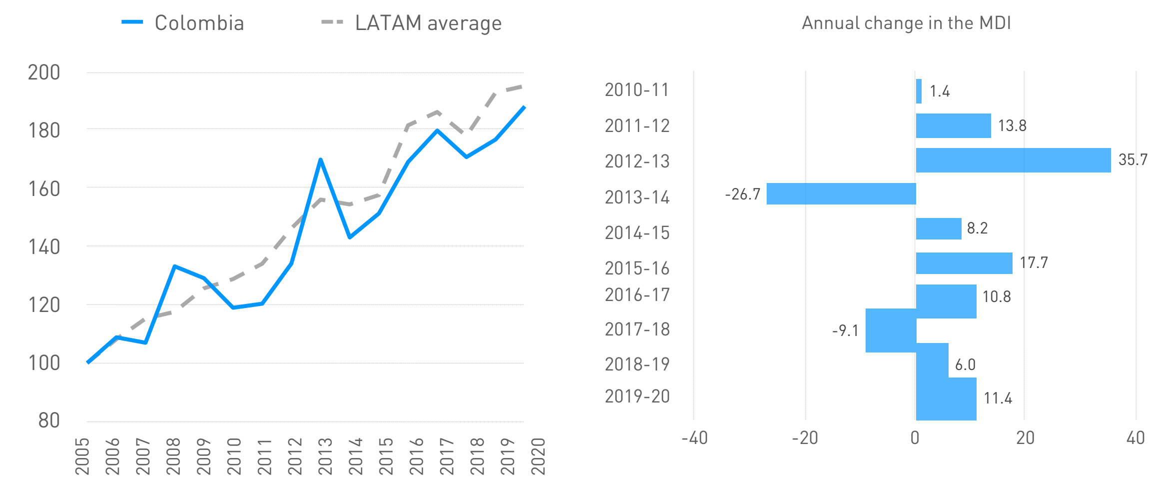
Chart 3.2.1-t shows an update of the estimate of the Market Development Index (MDI) for the Colombian insurance industry between 2005 and 2020. As shown in the chart, the MDI followed an upward trend over the course of the period under analysis, quite similar to that recorded for the average for the Latin American insurance market, only seeing significant fluctuations in certain years (2008, 2013, and 2016). These variations arose from the atypical growth of the Life insurance segment, which caused a great deal of variability in depth levels, falling in 2009-2010, after a significant rise in 2008 and 2012-2013, with Life insurance premiums rising 40% in 2013, followed by a -15.5% drop in 2014.

Chart 3.2.1-s
Colombia: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.2.1-t
Colombia: Market Development Index (MDI)
(2005 index=100; annual change)

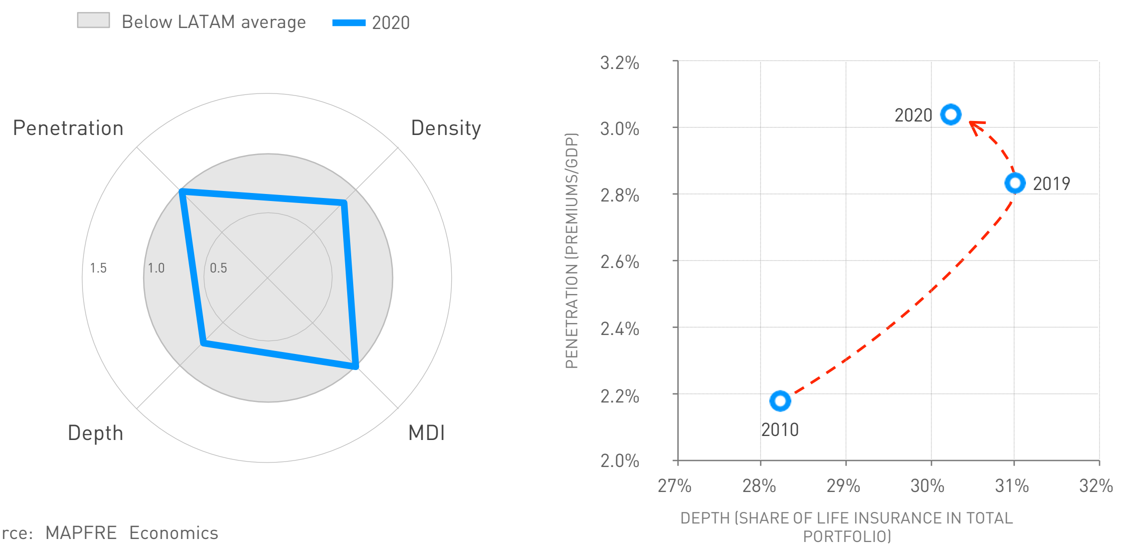


Source: MAPFRE Economics

Comparative analysis of structural coefficients

Chart 3.2.1-u shows the situation of the Colombian insurance market in 2020 compared to the Latin American average in terms of the four structural coefficients analyzed. This analysis shows that, although the penetration and performance of the Market Development Index in the Colombian market are in line with the regional average, depth and density are still below the Latin American insurance market average. Similarly, the dispersion analysis

Chart 3.2.1-u
Colombia: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

shown in the aforementioned chart confirms that, over the 2010-2019 period, the Colombian insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect) and depth levels (qualitative aspect). Nonetheless, said trend shifted in 2020, with penetration gains (caused by the drop in GDP and the relative resistance of insurance demand) but dropping insurance depth.

Insurance Market Rankings

Overall ranking

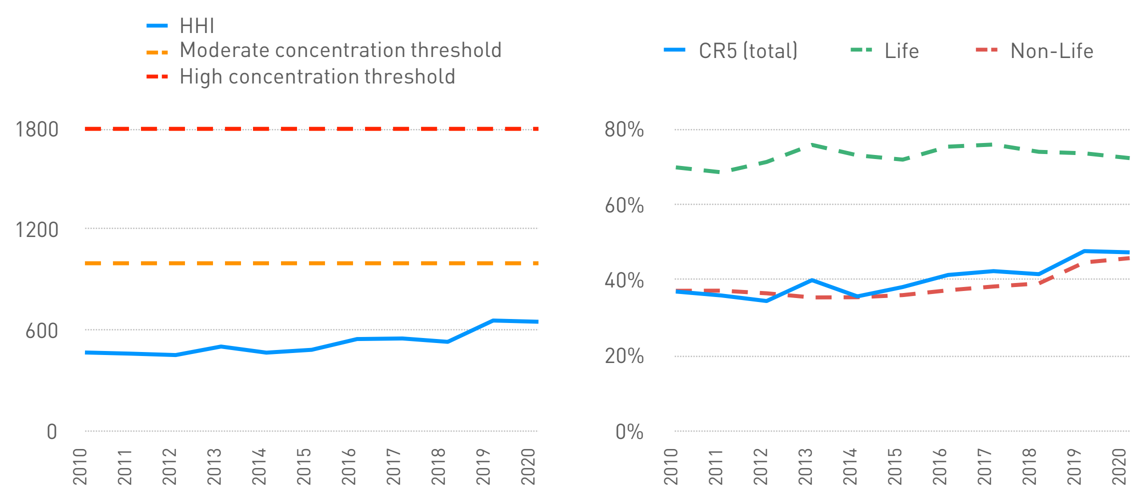
There were 23 P&C insurance companies, 18 Life insurance companies, and two insurance cooperatives operating in Colombia in 2020. As previous versions of this report have indicated, the Colombian insurance market continues to have low levels of concentration. This is supported by the Herfindahl and CR5 indices shown in Chart 3.2.1-v, which reveal a relatively steady trend between 2010 and 2020. The Herfindahl index fell slightly (to 652.1 points) in the latter year, and remains below the moderate concentration threshold. The concentration level of the top five insurance companies on the market (CR5), which receive 47.4% of premiums, fell -0.3 pp, with a higher concentration in Life insurance (72.3%) than in Non-Life (45.8%). These percentages are higher when considering the groups in the ranking rather than individual companies, although doing so does not lead to a significant increase in concentration levels.

The groups did not change position in the 2020 overall insurance group ranking compared to 2019. Chart 3.2.1-w shows the ranking was led by Suramericana, with 25% of total premiums, followed distantly by Alfa with 11,4%.

Non-Life and Life rankings

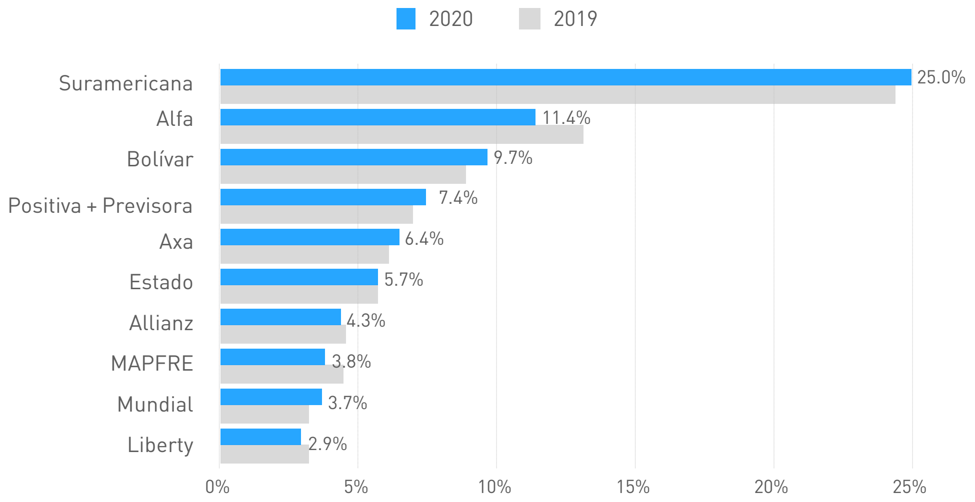
With regard to the Non-Life insurance segment, Suramericana once again topped the ranking in 2020 with 28.1% of premiums, representing a 0.2 pp increase in its market share. Axa climbed up one place to third, with Estado taking fourth, while Mundial took seventh place, gaining one place over MAPFRE.

Chart 3.2.1-v
Colombia: concentration of the insurance industry
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-w
Colombia: Overall Ranking
(market share, %)

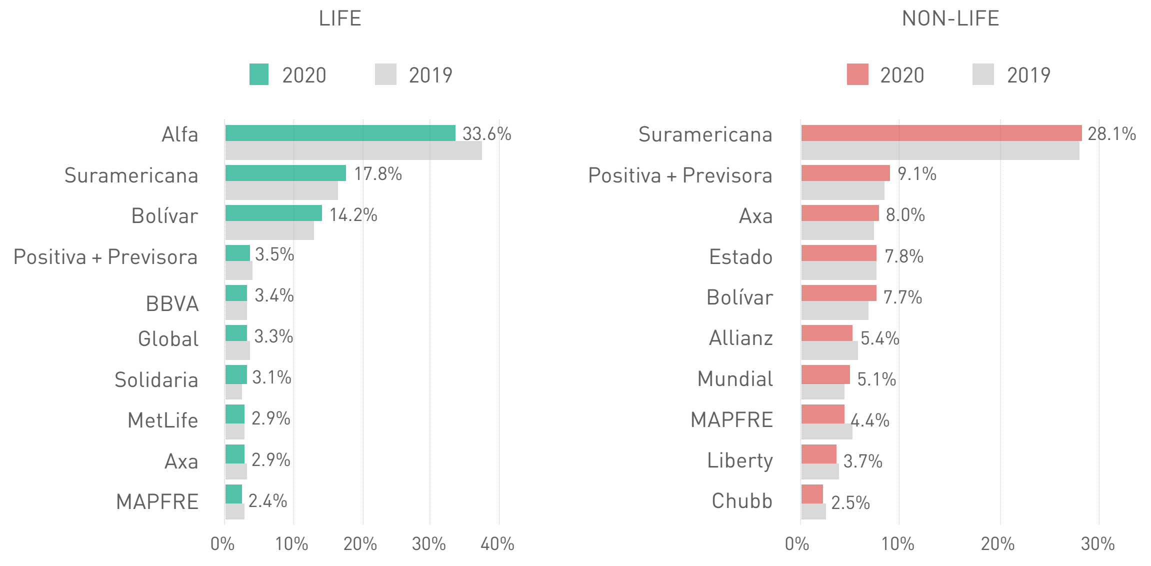


Source: MAPFRE Economics (based on data from the Financial Superintendency

of Colombia) Finally, Chubb entered the Non-Life ranking and Colmena exited it.

In the Life ranking for 2020, Alfa stayed at the top of the board with a market share of 33.6%. The top four places were unchanged compared to the 2019 ranking and the first movement occurred in fifth place, which was taken by BBVA after gaining one position on Global. However, the biggest change was Solidaria's climb up the ranking, going from tenth place in 2019 to seventh (see Chart 3.2.1-x).

Chart 3.2.1-x
Colombia: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Key Regulatory Aspects

Several new aspects came into the regulatory environment in 2020 within the context of the economic contingency arising from the pandemic as well as energy from the industry. These new aspects were envisaged in an extended regulatory framework including laws adopted by the Congress of Colombia, decrees issued by the national government, external circulars issued by the Financial Superintendency of Colombia (SFC), and measures from the central bank.

Regulations related to the COVID-19 pandemic

The economy changed suddenly in 2020 and the insurance industry was also impacted. The Constitution of Colombia allows the president to declare a state of emergency under adverse circumstances. During said states of emergency they can issue decrees with the force of law, which are automatically monitored by the Constitutional Court. Within the framework of the states of emergency declared in 2020 due to the COVID-19 pandemic, the national government issued three decrees with the force of law impacting the insurance industry.

First, Legislative Decrees 488 and 500 of 2020 established a temporary redistribution of occupational hazard premium allocation so that insurers operating in this line of business would allocate a percentage of the premium to promotion and prevention, purchasing protective equipment, and medical check-ups for personnel with jobs involving direct exposure to COVID-19, including healthcare providers. Second, Legislative Decree 800 of 2020 recognized that the measures implemented to contain the COVID-19 pandemic led to reduced insured party risk and this generated surpluses from premiums paid by insured parties for mandatory Personal accident insurance for traffic accidents (SOAT). Said decree ordered insurers to furnish those surpluses to the Social Security Resources Administrator for Health.

The Central Bank of Colombia adopted Circular DEFI-354 of 2020 to maintain normal functioning of the payment system. It allows the central bank to act as a counterparty for insurers in liquidity operations with private debt securities. Finally, the SFC issued External Circular 21 of 2020 on June 5, 2020 to provide an orderly framework for insurers to return premiums to financial consumers for the lines of business where insured risks had been shown to have fallen due to the national restrictions issued by the national government. These measures included some aimed at maintaining provision of services by insurance companies during periods of isolation and strengthening operational risk management (External Circulars 008 and 017 of 2020).

Regulatory changes and adjustments in the insurance industry in 2020

The primary regulatory changes and adjustments in the insurance industry in 2020-2021 are listed below. They are presented based on the policy level when issued: draft bills and laws issued by the Congress, Decrees issued by the national government, and external circulars issued by the SFC.

With regard to the draft bills under analysis by the Congress of Colombia, the most notable was one presented by the Tax Ministry in March 2021. It is being considered by the Congress as Draft Bill No- 413 of 2021 – Senate is set to reform a number of aspects of the financial system, including the insurance industry. This draft bill is built on four main pillars: deepening financial inclusion based on adjustments to the payment system in Colombia, an effort to promote the development of capital markets by incorporating a modular licensing scheme for managing third-party assets, modernizing the financial system in terms of various aspects involving the insurance industry, and strengthening regulatory and oversight authorities. In terms of the insurance industry, the draft bill on the financial system modernization pillar considers the inclusion of a legal definition of insurance activity, in addition to allowing the possibility of operating multiple lines of business with a single license (which is a shift from the division currently governing property & casualty and life insurance companies). This bill is being debated by the Congress of Colombia and was already approved in the first debate of the four required for it to become law.

In terms of the laws adopted as part of current regulations, Law 2069 of 2020 on entrepreneurship issues gave the national government the power to establish regulations to incentivize and promote microinsurance policies as a tool to protect and consolidate the country's business sector.

The standards issued by the national government included Decree 1393 of 2020, which adopted changes to the investment scheme for insurers' technical reserves to make investment type limits more flexible. In implementing said decree with External Circular 007 of 2021, the SFC gave instructions to strengthen investment governance in response to the flexibilization of investment limits. These instructions are the first step toward adopting environmental, social, governance (ESG), and climate criteria in insurance companies' investment policies.

Decree 1398 of 2020 also set out the operating conditions for property life annuity as a financial product designed to generate supplementary revenue by leveraging real estate assets. In implementing said decree with External Circular 036 of 2020, the SFC gave instructions on operating with property life annuities, a product that will be offered by life insurance companies. The Circular notably includes bolstering the consulting insurance companies provide policyholders with regard to product characteristics and particulars.

The system for managing the risk of money laundering and financing of terrorism was notably updated with special focus on the digitization of processes for customer sign ups in response to technological advances in the provision of different financial services including those of the insurance industry (External Circular 27 of 2020).

The Regulatory Projection and Financial Regulation Studies Unit of the Tax Ministry notably published the insurance industry roadmap for 2021-2025 in June. The document sets out the national government's regulatory priorities for the next five years. It proposes the modernization of the regulatory framework for the Colombian insurance industry based on three pillars: resilience, transparency, and inclusivity. It sets out a plan with six strategies: i) a proposed law (contained in the above-mentioned draft bill 413 of 2021 - Senate); ii) convergence with Solvency II; iii) adoption of IFRS 17; iv) a project to review the regulatory frameworks on reserves, lines of compliance and occupational hazards, and assistance services; v) review and adoption of ESG criteria; and vi) a draft of technical studies on inclusive insurance policies and technological adaptation.

Finally, it is worth mentioning the Draft External Circular regulating the loss ratio deviation reserve in the occupational hazards line of business. The proposal envisages occupational risk managers modeling different events, including terrorist attacks, earthquakes, and pandemics. The industry commented on the draft and it is now being revised.

3.2.2 Venezuela

Macroeconomic Environment

According to IMF estimates, the Venezuelan economy contracted -30% in real terms in 2020 (compared to -35% the previous year). This was the seventh consecutive year of falling economic activity (see Chart 3.2.2-a). The contraction of oil production in Venezuela continued worsening, leading to domestic shortages, which, in combination with the context of fragile prices per barrel resulting from global travel restrictions implemented due to the coronavirus, tax revenues to fall further. Domestic demand was once again negative, exacerbated by consumable shortages and revenue losses in real terms resulting from high inflation and major depreciation of the bolivar.

The partial default on foreign public debt continues accelerating dependence on central bank action as a way to finance and monetize the persistent deficit, which further drives inflation (the Central Bank of Venezuela reported year-over-year inflation was 2,959%), hobbling the exchange rate whose instability and lack of trust may lead to another currency reform. In this context, the IMF's latest forecasts had a negative outlook for Venezuela's GDP, stating it could shrink -10% in 2021.

Insurance Market

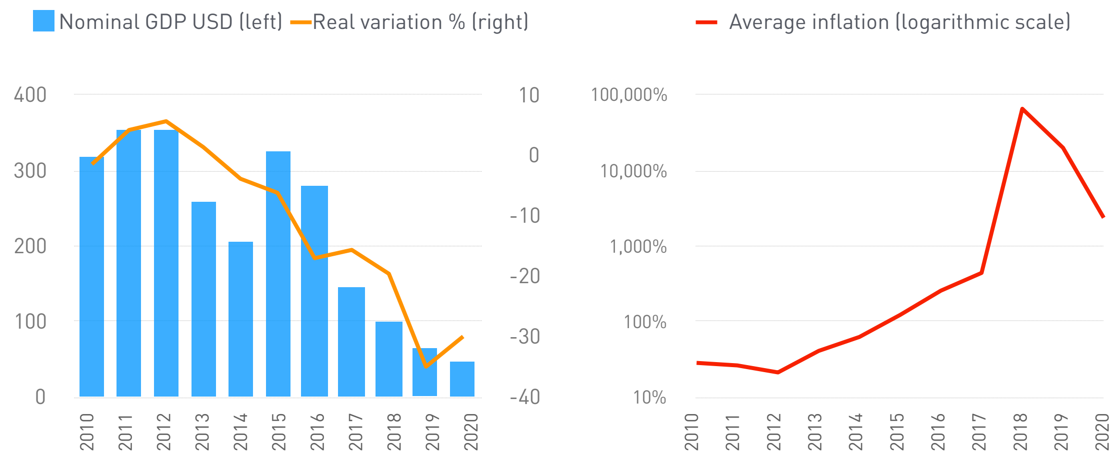
Growth

Premiums on the Venezuelan insurance market saw nominal growth of 2,307.9% in 2020 compared to the previous year, up to 138.85 billion sovereign bolivars. However, after controlling for inflation, real growth came in at -1.9%. Non-Life insurance, which accounts for 99% of premiums, continued to fall, showing a decline of -1.8% in real terms (11.9% the previous year). Life insurance fell -21.3% in real terms compared to -49.2% in 2019 (see Table 3.2.2 and Charts 3.2.2-b and 3.2.2-c).

Balance Sheet and Shareholders' Equity

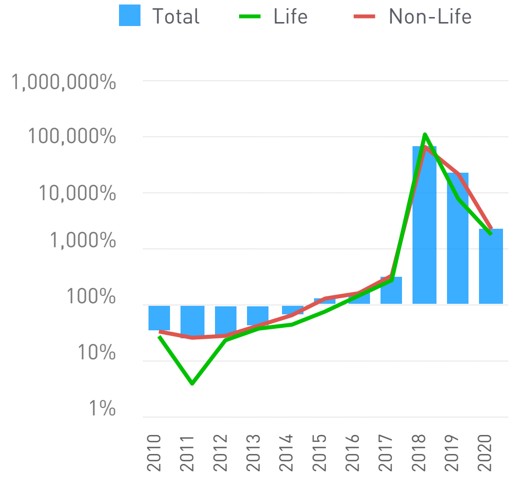
Chart 3.2.2-d shows the comparative aggregate balance sheet for the Venezuelan insurance industry between 2010 and 2019 (latest available data). These data indicate that

Chart 3.2.2-a
Venezuela: Changes in Economic Growth and Inflation
(GDP in USD, billions; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

Chart 3.2.2-b
Venezuela: Growth Developments in the Insurance Market
(annual nominal growth rates, %, logarithmic scale)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Table 3.2.2
Venezuela: Premium Volume[1] by Line, 2020

Line	Billions of sovereign bolivars	Millions of USD[2]	Growth	
			Nominal (%)	Real (%)
Total	138,849.8	374.9	2,308	-1.9
Life[3]	686.2	1.9	1,832	-21.3
Non-Life	138,163.5	373.0	2,311	-1.8

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

1/ Net premiums received. Direct insurance.
2/ The VEF/USD exchange rate has been interpolated based on the latest DICOM auctions available.
3/ Estimated Life premium volume.

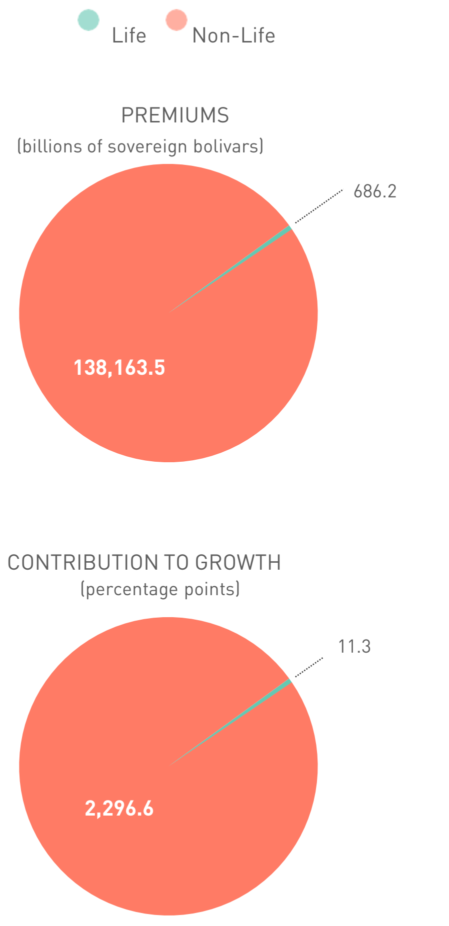
Total assets for the industry amounted to 52.07 billion sovereign bolivars, while equity stood at 25.03 billion sovereign bolivars, with a positive change of 8, 448.1% compared to 2019, a quantitative effect determined by hyperinflation in the economy.

Aggregate capitalization levels in the Venezuelan insurance industry (measured over total assets) were around 36% in the period between 2009 and 2012, subsequently increasing to 48.1% over total assets in 2019. It is important to recognize that much of the equity analyzed corresponds to unrealized gains in real estate investments and other financial instruments due to the hyperinflation the economy is experiencing.

Investments

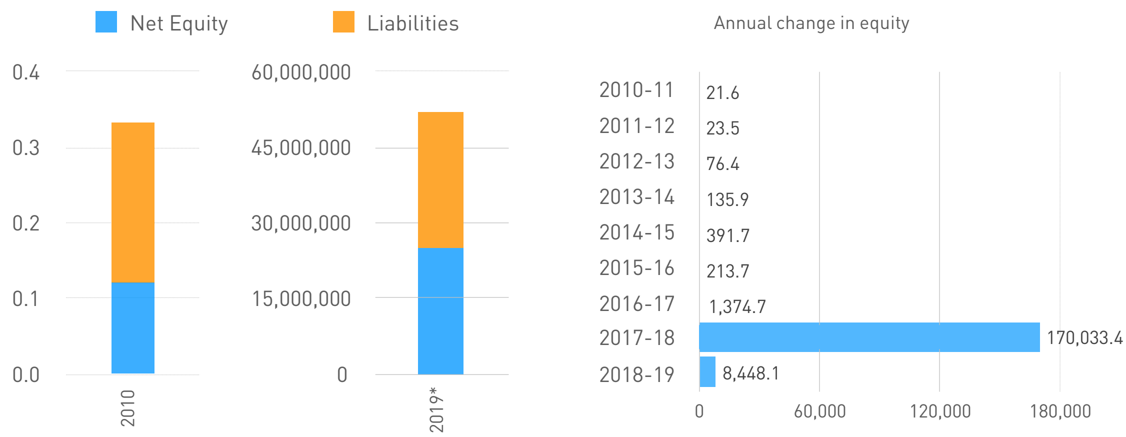
Chart 3.2.2-e shows the performance of the total volume of investments in the Venezuelan insurance market between 2010 and 2019 (latest available data). In the latter year, said investment totals reached

Chart 3.2.2-c
Venezuela: Insurance Market and Contributions to Growth, 2020
(premiums, billions of sovereign bolivars; percentage points, pp)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

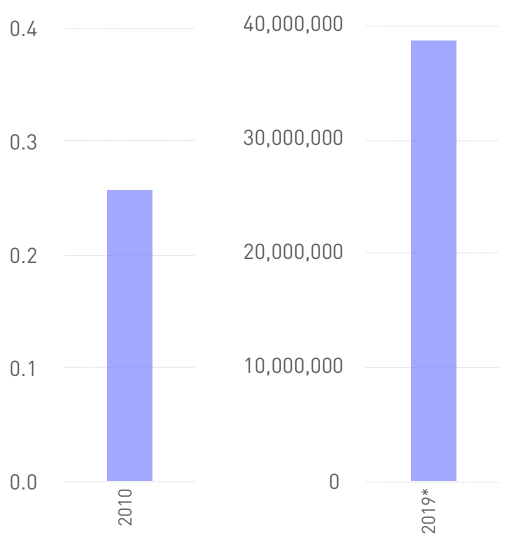
Chart 3.2.2-d
Venezuela: Changes in the Insurance Industry's Aggregate Balance Sheet
(millions of sovereign bolivars; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
* Latest data available

38,676 billion sovereign bolivars for the industry. Notably, a more detailed disaggregation of the composition of the Venezuelan insurance industry's investment portfolio could not be provided on the basis of available data.

Chart 3.2.2-e
Venezuela: Insurance Market Investments
(millions of sovereign bolivars)



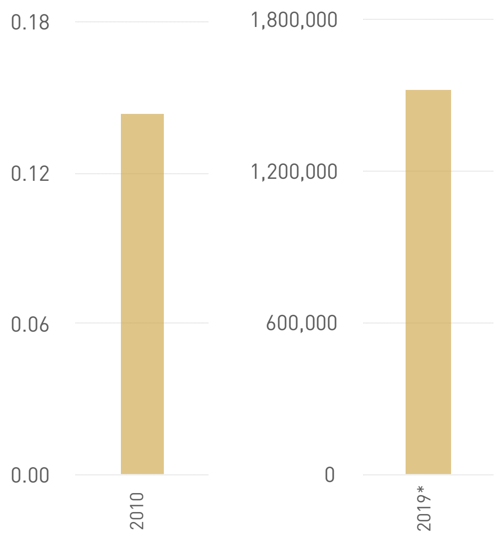
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
*Latest data available

Technical provisions

Charts 3.2.2-f, 3.2.2-g, and 3.2.2-h show the changes in net reinsurance technical provisions for the Venezuelan insurance industry between 2010 and 2019 (latest available data), as well as changes in their structure over the course of said period. These data indicate that technical provisions stood at 1.52 trillion sovereign bolivars in 2019. Life insurance accounted for 0.5% of this total, while 66.6% related to provisions for unearned premiums and unexpired risks in Non-Life insurance, 27.7% to the provision for outstanding claims, 1.2% to the provision for catastrophic risks, and the remaining 4.1% to other technical provisions.

Over the course of the 2010-2019 period (Chart 3.2.2-g), the relatively small scale of the provisions for Life insurance was notable. They went from 1.3% of total provisions in 2010 to 0.5% in 2019, with 1% being the average over the last decade. Between 2010 and 2019 there was also a gradual increase in the weight of provisions for unearned premiums and unexpired risks, from 55.2% of total provisions in 2010 to 66.6% in 2019. The provision for outstanding claims fell from around 42.2% in 2010 to 27.7% in 2019 (see Chart 3.2.2-h).

Chart 3.2.2-f
Venezuela: Technical Provisions of the Insurance Market
(millions of sovereign bolivars)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

*Latest data available

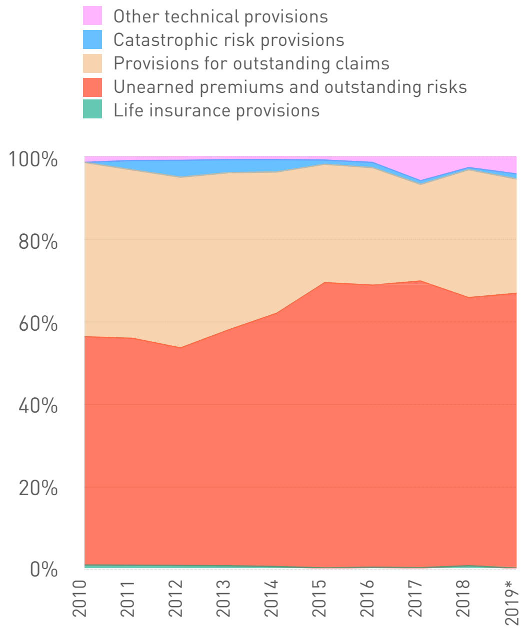
Technical performance

According to the most recent data available, the Venezuelan insurance industry had a negative technical result in 2019 and a combined ratio standing at 120.4%, up 3.1 pp compared to 2018. The loss ratio increased (+18.3 pp) while the expense ratio improved 21.4 pp, leading to a slight drop in the combined ratio (see Chart 3.2.2-i).

Results and Profitability

The Venezuelan insurance industry posted a consolidated result of 1.58 trillion bolivars (4.3 million dollars) for 2019. As there is no balance sheet data available for 2020, profitability indicators for that year could not be analyzed. However, as shown in Chart 3.2.2-j, there was a clear downward trend in profitability for the Venezuelan insurance industry between 2010 and 2019 beginning in 2013. It reached the

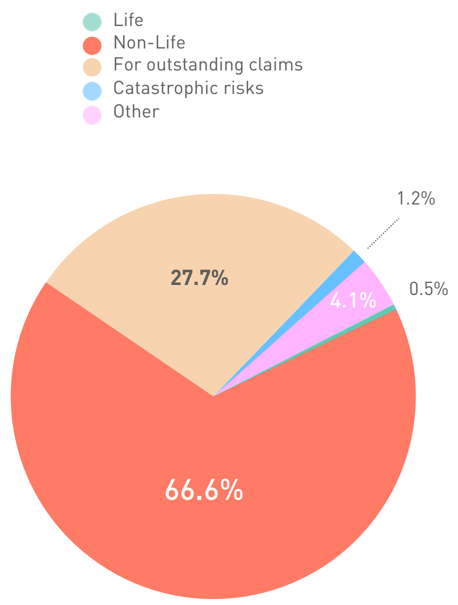
Chart 3.2.2-g
Venezuela: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

* Latest data available

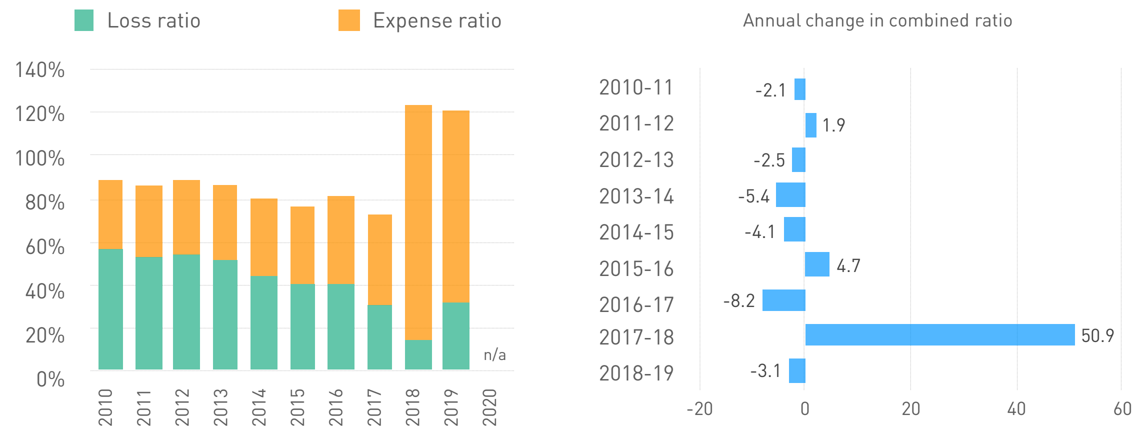
Chart 3.2.2-h
Venezuela: Structure of Technical Provisions, 2019*
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

*Latest data available

Chart 3.2.2-i
Venezuela: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



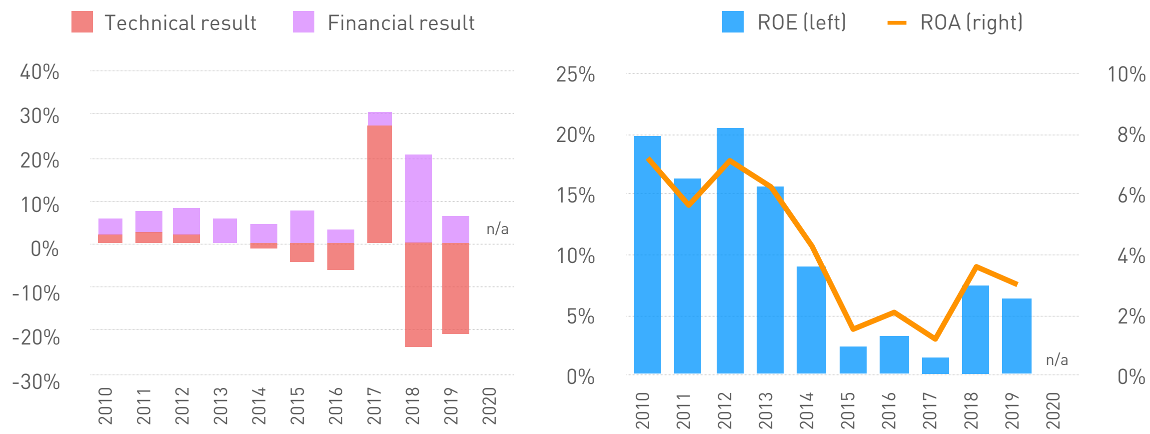
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

lowest level of the decade in 2017, recovered in 2018, and fell slightly in 2019.

Insurance penetration, density and depth

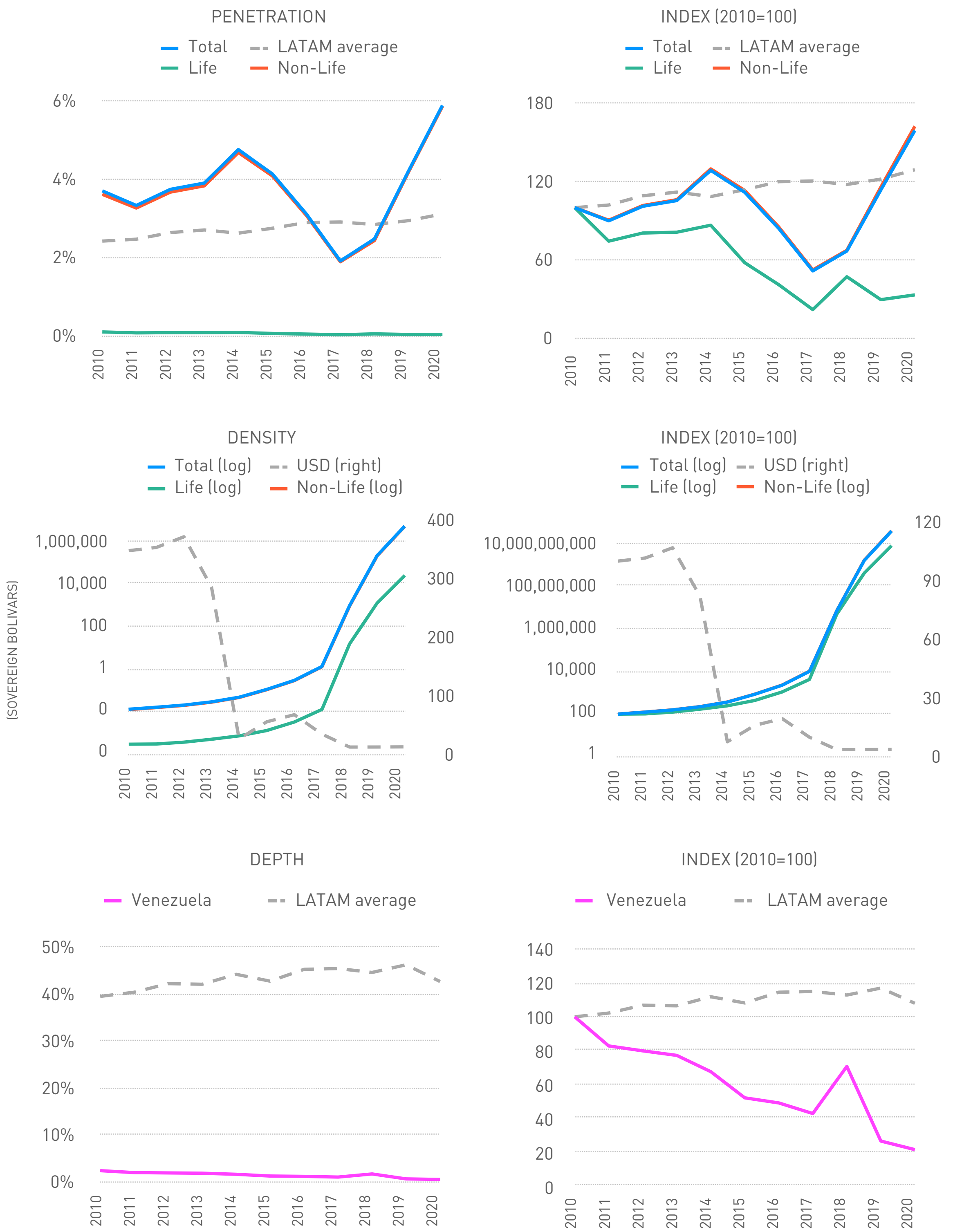
Chart 3.2.2-k shows the main structural trends shaping the development of the Venezuelan insurance industry over the 2010-2020 period. The penetration rate (premiums/GDP) was 5.9% in 2020, up 1.7 pp above the 2019 figure. As set out in our 2019 report, after a period of retraction between 2009 and 2011, the indicator followed an upward trend until 2014 with an accelerated decrease beginning that year and reversing in the next two fiscal years, especially in 2020, caused in part by the sudden contraction of the GDP and the resistance shown by insurance premiums in this environment and in part by overestimation resulting from the hyperinflation in the indicator.

Chart 3.2.2-j
Venezuela: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Chart 3.2.2-k
Venezuela: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, sovereign bolivars and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

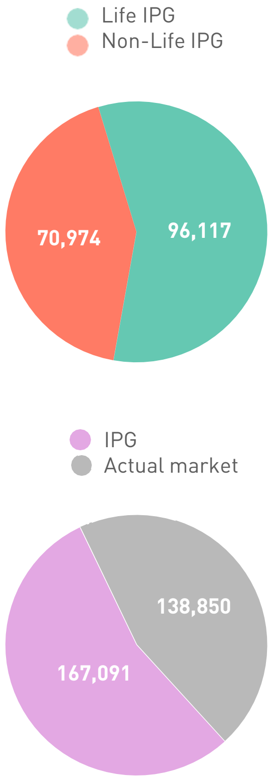
Meanwhile, insurance density in Venezuela (premiums per capita) reached 4,882,897 sovereign bolivars (13.2 dollars), up 2,315% from 2019 (202,216 sovereign bolivars). This performance was also influenced by the general level of prices in the economy. Accordingly, density has climbed steadily over the last decade when measured in local currency, rising exponentially from 2013. However, when the index is calculated in dollars to remove the hyperinflationary effect, density is shown to be in clear decline.

Finally, with regard to depth (Life insurance premiums vs. total premiums), the indicator in 2020 stood at just 0.5%, 1.9 pp below the value observed in 2010. The trend in the depth of the Venezuelan insurance market clearly diverges from the average performance of the other insurance markets in Latin America, as the Life insurance segment has virtually disappeared.

Estimation of the Insurance Protection Gap

Chart 3.2.2-l provides an estimation of the insurance gap for the Venezuelan insurance market in 2020. According to these data, the 2020 IPG was 167.09 trillion sovereign bolivars, 1.2 times the Venezuelan insurance market at year end. The structure and performance of the IPG are largely a product of Life insurance. At year end 2020, 57.5% of the IPG corresponded to this market segment, compared to 42.5% for

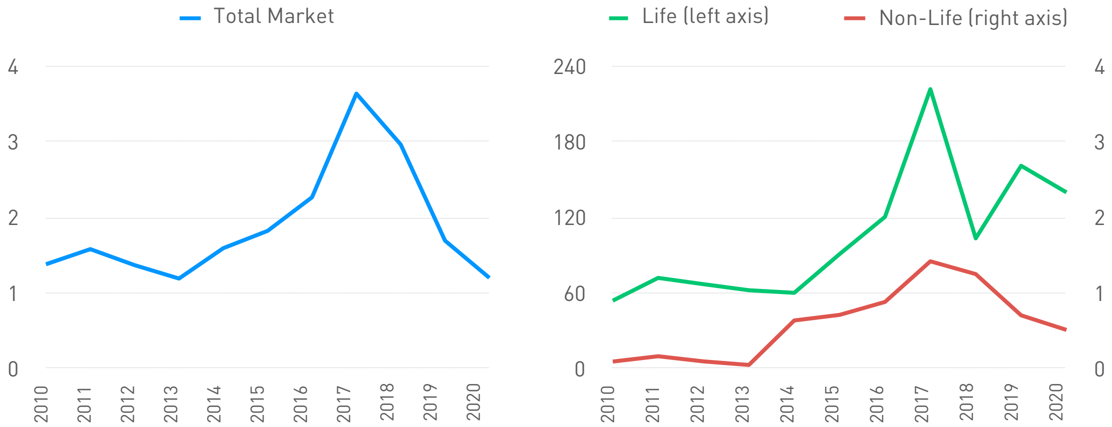
Chart 3.2.2-l
Venezuela: Insurance Protection Gap* and Potential Market, 2020
(billions of sovereign bolivars)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

* IPG (estimate adjusted with penetration estimated in USD)

Chart 3.2.2-m
Venezuela: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

* IPG (estimate adjusted with penetration estimated in USD)

Non-Life insurance. Thus, the potential insurance market in Venezuela at year end 2020 (estimated as the sum of the actual insurance market in the country plus the IPG) was 305.94 trillion sovereign bolivars, 2.2 times the size of the total insurance market that year.

Chart 3.2.2-m provides an estimation of the IPG as a multiple of the real insurance market in Venezuela. Said analysis shows that the insurance gap as a multiple of the market followed an upward trend from 2010 to 2017 and then fell again to 1.2 times the relative market in 2020.

Market Development Index (MDI)

Chart 3.2.2-n shows an estimate of the Market Development Index (MDI) for the Venezuelan insurance industry. As this chart shows, the indicator generally followed the Latin American average only until 2014, when it began a clear process of deterioration until 2017, going positive in subsequent years, albeit with a performance pattern far below the average performance of the Latin American insurance market.

Comparative analysis of structural coefficients

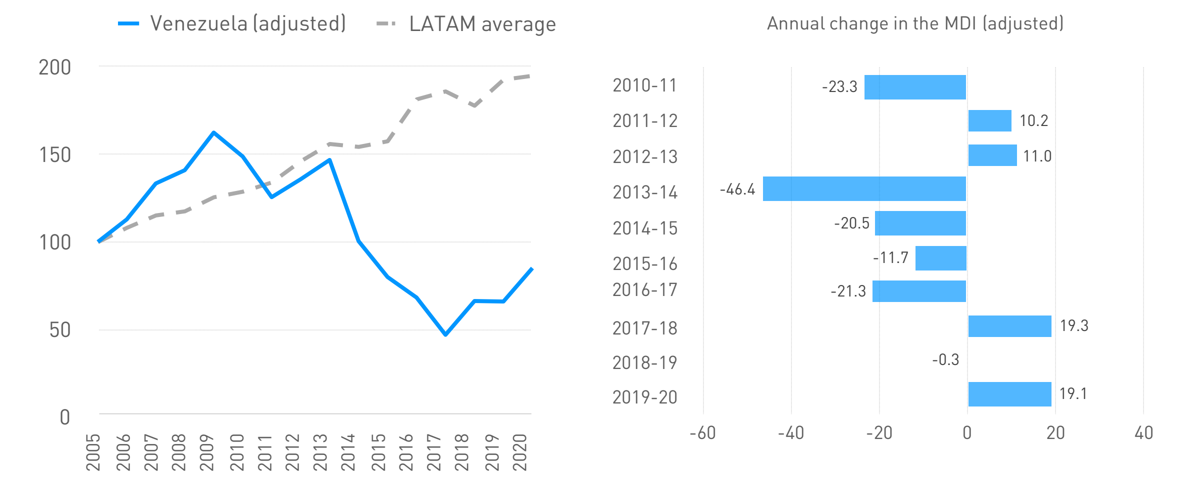
Finally, Chart 3.2.2-o outlines the state of the Venezuelan insurance market when compared with the average for Latin America, measured in terms of the structural indicators analyzed. As can be seen there, the deterioration of the Venezuelan insurance market has caused all of its structural dimensions to fall well below the averages for the region.

Insurance Market Rankings

Overall ranking

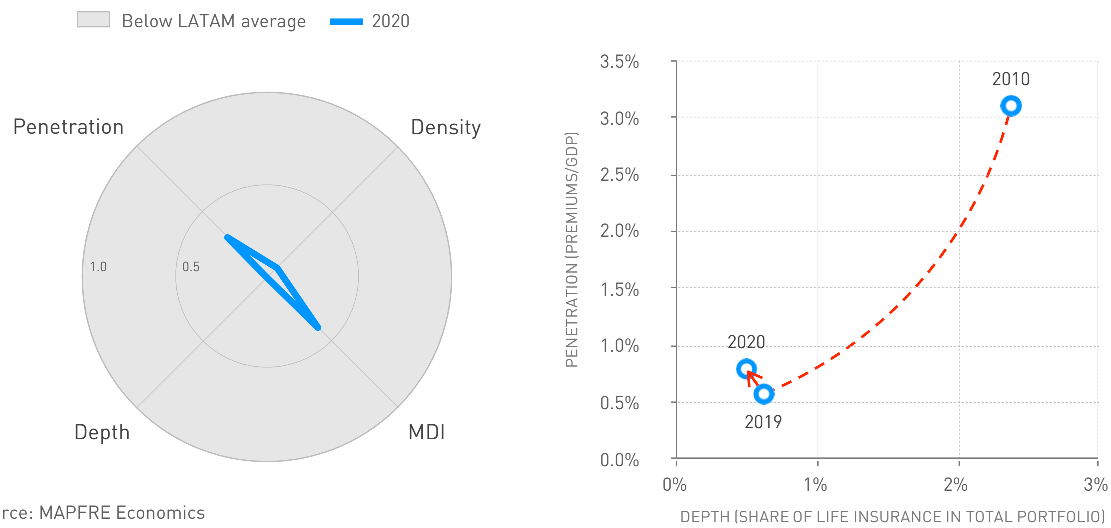
There were 49 insurance companies operating in Venezuela in 2020, one more than the previous year. Market concentration was generally low and remained stable over the last few years. However, the trend shifted toward higher levels of concentration in 2019. The Herfindahl index increased to 1,498 in 2020 and stayed above moderate concentration levels of 1,000 points. The CR5 index (which confirms this trend) was 74.9% in 2020, showing

Chart 3.2.2-n
Venezuela: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.2-o
Venezuela: Comparative Structural Coefficient Index* vs. Average for Latin America (2019) and Medium-Term Changes in the Insurance Market (2009-2019)



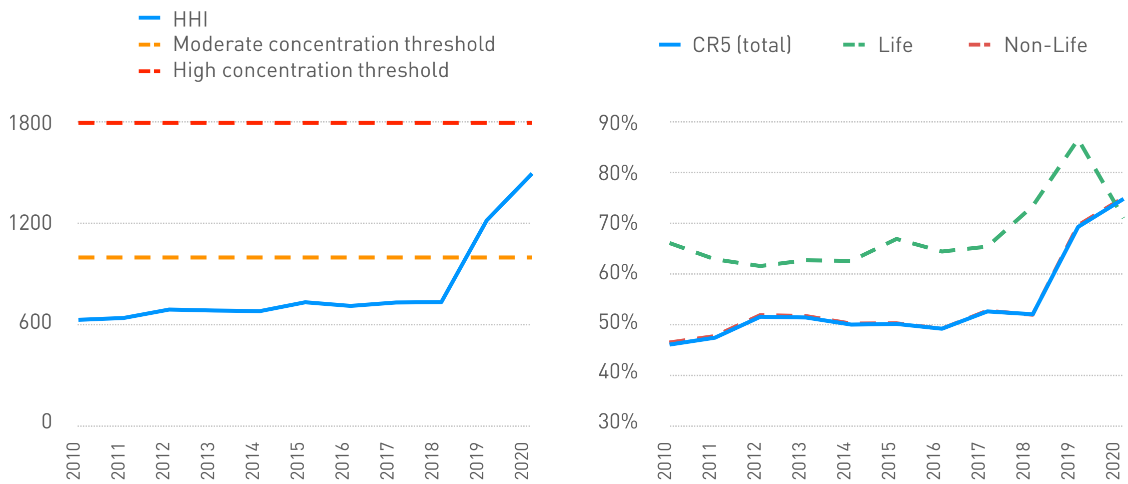
Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

a relatively high level of concentration in both Life and Non-Life insurance (see Chart 3.2.2-p).

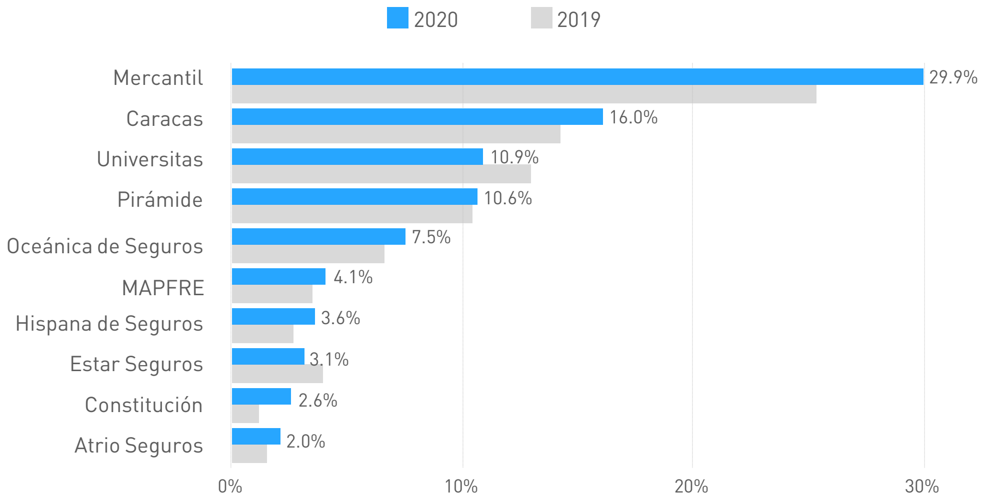
Chart 3.2.2-q shows the 2020 insurance group ranking, led by Mercantil with a market share of 29.9%, followed by Caracas (16%), Universitas (10.9%), Pirámide (10.6%), Oceánica (7.5%), and MAPFRE (4.1%). The bottom half of the board included Hispania (3.6%), Estar (3.1%), Constitución (2.6%), and Atrio (2%).

Chart 3.2.2-p
Venezuela: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Chart 3.2.2-q
Venezuela: Overall Ranking
(market share, %)

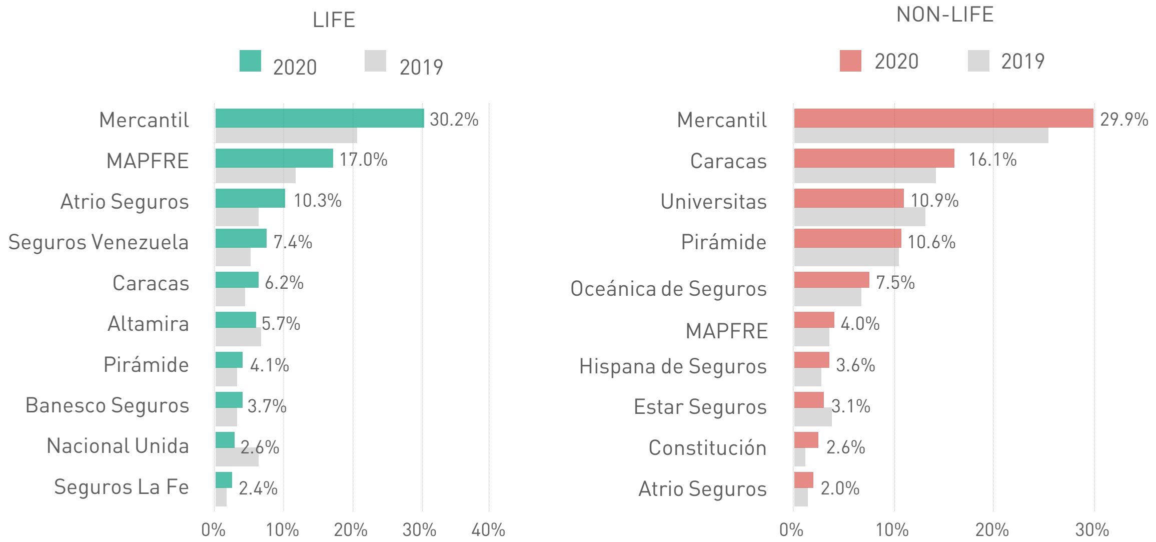


Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Non-Life and Life rankings

The Non-Life ranking continued to be led by Mercantil with a market share of 29.9%, followed by Caracas (16.1%) and Universitas (10.9%). The Life insurance segment ranking was also led by Mercantil with a market share of 30.2%, followed by MAPFRE (17%) and Atrio (10.3), which took second and third (see Chart 3.2.2-r).

Chart 3.2.2-r
Venezuela: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
*The figures for the Life and Non-Life lines are based on estimates of the respective market.

Key Regulatory Aspects

Key regulatory aspects relating to the Venezuelan insurance market are listed below: (i) Administrative Ruling No. SAA-2-0026 establishing contract currency standards for prepaid medical insurance policies; (ii) amendment to Administrative Ruling No. SAA-2-0026-2021 establishing standards on Money Laundering Risk Management; and (iii) Administrative Ruling SAA-2-0009, 211, 162, 22, amending the guidelines applicable to the payment of special contributions that must be made by individuals governed by the law regulating these matters.

3.2.3 Brazil

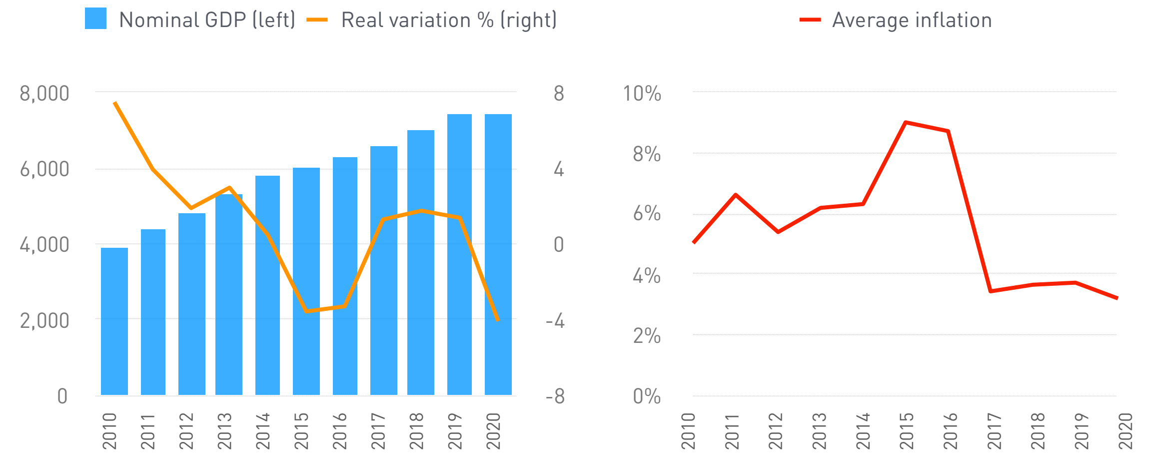
Macroeconomic Environment

The economy of Brazil experienced a sharp -4.1% downturn in 2020, marked by the effects of the COVID-19 pandemic, vs. real GDP growth of 1.4% the previous year (see Chart 3.2.3-a). Despite being one of the countries with the highest COVID transmission rates and one of the highest death rates, its economy weakened less than other countries in the region. the federal government implemented extensive aid programs for vulnerable people and companies, which largely mitigated the economic impact of the health crisis.

According to ECLAC data, the COVID-19 emergency aid program reached 66 million people, with payments representing nearly 3.9% of GDP. Federal government expenditure until November (due to the suspension of taxes and increased spending) totaled around 615 billion reais (8.6% of GDP). The central bank also facilitated the functioning and expansion of credit by the financial system with an over 37% increase in microloans and small business loans vs. 2019, equal to 1.7% of GDP. According to this body's preliminary estimates, in fiscal and credit terms, resources totaling nearly 12% of GDP were allocated in response to COVID-19.

The short-term interest rate (Selic) was cut five times in 2020, from 4.5% to 2.0% in September. Other unconventional monetary policy measures were also implemented to boost liquidity and the functioning of the payment

Chart 3.2.3-a
Brazil: Changes in Economic Growth and Inflation
(GDP in local currency, billions of reais; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

system as well as support the credit supply. Average inflation stood at 3.2% in 2020 and the nominal exchange rate depreciated significantly (-30.7% year-over-year). However, the Brazilian economy's inflation rate significantly rebounded in the first half of 2021, going above 9%, far exceeding the central bank's target (4.5%), causing the institution to reverse some of these measures and set the interest rate at 6.25% at its September meeting, the fourth interest rate hike so far this year.

The fiscal aid measures implemented to support the economy caused the fiscal deficit to shoot up to 14% of GDP in 2020 (vs. 5.8% in 2019). Public debt went up 14.6 pp of GDP to 88.9% (74.3% in 2019). To implement these measures, the Congress of Brazil approved a constitutional amendment revoking the application of certain fiscal rules in 2020, including the limit of zero real increases in primary expenditure. The most heavily impacted industries were trade, industry, personal services, tourism, and air travel. The average unemployment rate reached 13.5% of the workforce (11.9% in 2019).

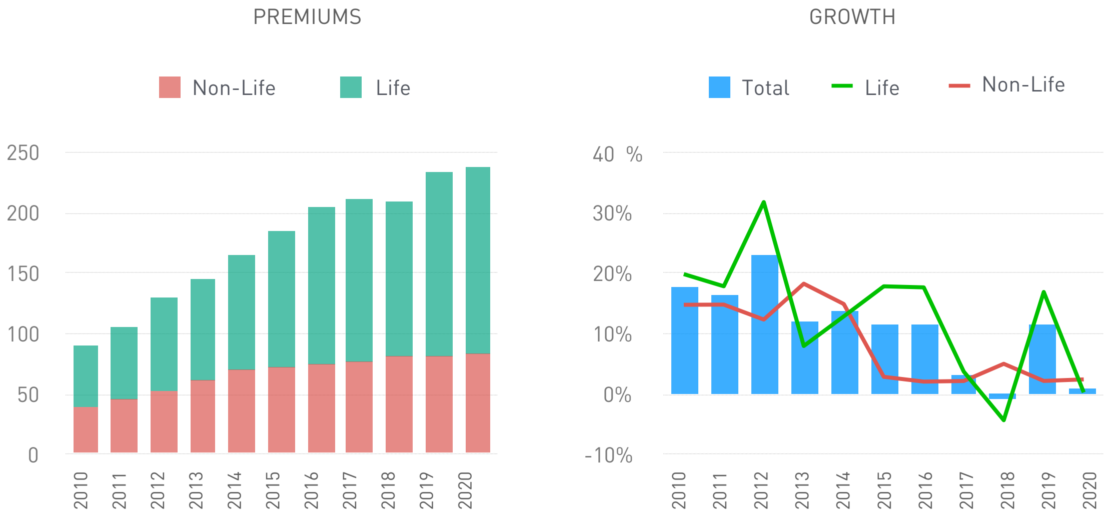
MAPFRE Economics forecasts a recovery of the Brazilian economy in 2021 with GDP growth of around 5.1%, while the IMF and ECLAC forecast growth around 5.3% and 5.2%, respectively.

Insurance Market

Growth

Premium volume in the Brazilian insurance market amounted to 236.86 billion reais in 2020, a nominal increase of 1.1% and a real decrease of -2.0%. This performance reflects the impact of the COVID-19 pandemic on the Brazilian insurance industry, especially on savings products, with a real decrease of -4.9% for Life Free Benefit Generator (*Vida gerador de beneficio libre* [VGBL]). Sales of VGBL products had already heavily increased in 2019, influenced by the pension reform and more awareness among Brazilians on supplementing their retirement pensions, while in 2020, savings products were heavily affected by increased unemployment and falling interest rates. Otherwise, Life products other than VGBL saw nominal increases (7.0%) and real increases (3.7%).

Chart 3.2.3-b
Brazil: Growth Developments in the Insurance Market
(premiums, billions of reais; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Table 3.2.3-a
Brazil: Premium Volume[1] by Line, 2020

Line	Millions of reais	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**236,860**	**45,940**	**1.1**	**-2.0**
Life	**152,617**	**29,601**	**0.4**	**-2.7**
Life — individual and group	39,910	7,741	7.0	3.7
VGBL[2]	112,707	21,860	-1.8	-4.9
Non-Life	**84,243**	**16,339**	**2.5**	**-0.7**
Auto	35,571	6,899	-6.6	-9.5
Other lines	16,002	3,104	6.4	3.0
Accident	6,010	1,166	0.2	-2.9
Fire (Comprehensive Insurance)	6,431	1,247	2.9	-0.3
Transport	3,613	701	-5.7	-8.6
Credit and surety	5,312	1,030	18.2	14.6
Agricultural	5,378	1,043	29.9	25.9
Third-party liability	2,616	507	21.1	17.3
Hull transport	1,221	237	49.6	44.9
Specialty risks[3]	1,255	243	85.2	79.5
Burial	833	161	24.8	21.0

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

1/ Written premium (Reg. capitalization) + Insurance premium

2/ Cash value life insurance (VGBL)

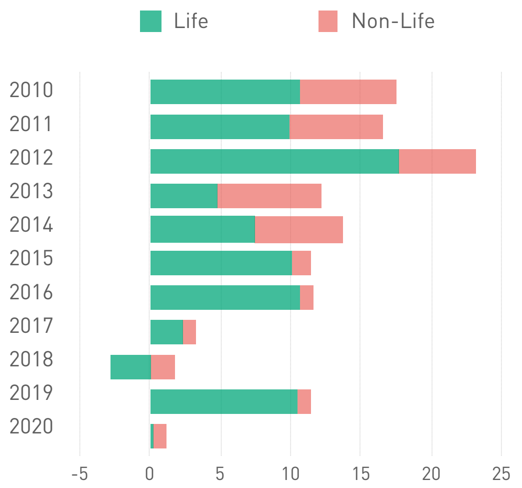
3/ Oil, nuclear risks, and satellites

Overall, premiums in the Life line amounted to 152.6 billion reais (29.6 billion dollars), a slight increase of 0.4% in nominal terms and -2.7% in real terms compared to 2019 (see Table 3.2.3-a and Chart 3.2.3-b).

The Non-Life segment performed positively in nominal terms in 2020, with a 2.5% increase in premium volumes to 84.24 billion reais, which translated, nonetheless, into a decrease of -0.7% after controlling for inflation. This performance can be explained by the drop in premiums from the Auto line of business, at -6.6% in nominal terms (-9.5% in real terms), affected by a -84% drop in Personal accident Insurance for Land Vehicles (DPVAT) premiums. The Life line therefore contributed just 0.2 pp to the growth of the industry in 2020, while Non-Life lines contributed 0.9 pp (see Chart 3.2.3-c).

In terms of the auto insurance market, Seguradora Líder-DPVAT notably shut down. Mandatory Personal accident insurance for injuries of transported people by land vehicles or their loads (DPVAT) is designed to guarantee coverage to all victims of traffic accidents. To sell DPVAT insurance, insurance companies must join two specific consortiums at once, and each of the consortiums must have a specialized DPVAT insurance company as the lead company; the same insurance company can be the lead company of both consortiums. Seguradora Líder-DPVAT, a company founded by the insurance companies in the Consortium, acted as the DPVAT insurance administrator for 13 years. However, it was decided at the November 24, 2020 meeting to wind up the DPVAT insurance consortium, putting an end to new risk underwriting by Seguradora Líder on behalf of the Consortium Members as of January 1, 2021, being responsible for guaranteeing compensation for losses arising until year end 2020. After the The Consortium

Chart 3.2.3-c
Brazil: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	17.6	10.8	6.8
2011	16.6	9.9	6.7
2012	23.2	17.7	5.5
2013	12.2	4.8	7.4
2014	13.8	7.4	6.4
2015	11.5	10.2	1.3
2016	11.6	10.7	0.9
2017	3.2	2.4	0.8
2018	-0.9	-2.7	1.8
2019	11.4	10.5	0.9
2020	1.1	0.2	0.9

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

shut down, the Superintendency of Private Insurance (SUSEP) announced that Caixa Econômica Federal was the new DPVAT insurance administrator and will be responsible for processing compensation for losses occurring on or after January 1, 2021. The National Private Insurance Council (CNSP) also approved a premium of zero for DPVAT in 2021, as there were surplus resources paid in by vehicle owners in the past[31].

To provide a complete perspective of the various segments of the Brazilian insurance market, the insurance premium amount should be added to premiums from Private Pension, Health (under the control of the National Health Agency, ANS), and Capitalization insurance. With regard to private pension insurance, insurance companies grossed 13.72 billion reais in premiums in 2020, -1.5% less than the previous year. Health insurance companies received a premium volume of 47.77 billion reais, representing a 4.3% increase while the Capitalization segment grossed 22.92 billion reais, with a -4% drop compared to the previous year. Total revenue in 2020 for all market segments amounted to 321.27 billion reais (62.31 billion dollars), with a nominal increase of 1.1% compared to the previous year (see Table 3.2.3-b).

Balance Sheet and Shareholders' Equity

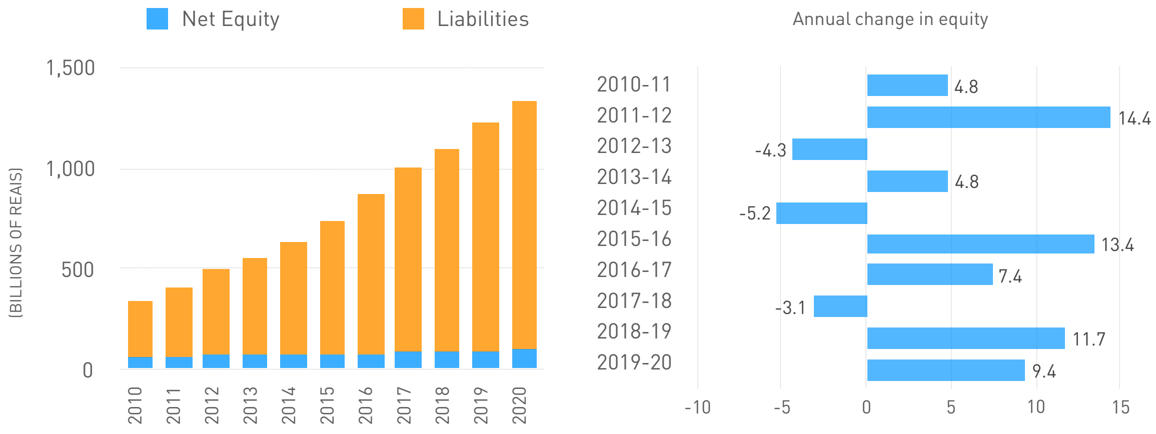
Changes in the size of the aggregate balance sheet for the insurance companies operating in Brazil in the 2010-2020 period are shown in Chart 3.2.3-d. These data show that total assets amounted to 1.33 trillion reais (255.22 billion dollars), while equity reached

Table 3.2.3-b
Brazil: Private Insurance Premiums and Contributions, 2020

Line	Millions of reais	Millions of USD	Growth 2019-2020 (%)
Insurance	236,860	45,940	1.1
Private pension	13,724	2,662	-1.5
Health insurance	47,767	9,265	4.3
Capitalization	22,916	4,445	-4.0
Total	**321,267**	**62,312**	**1.1**

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance and the National Health Agency, ANS)

Chart 3.2.3-d
Brazil: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

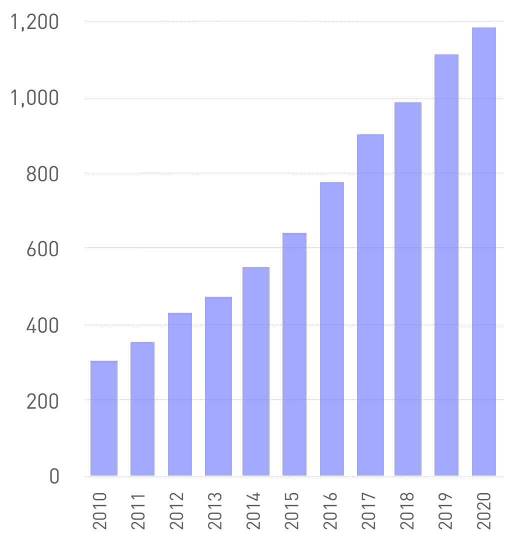
103.33 billion reais (19.88 billion dollars), with a 9.4% increase compared to 2019. Similarly, the aggregate capitalization levels (measured over total assets) in the Brazilian insurance industry followed a downward trend, moving from around 18% in 2010 to 7.8% of total assets in 2020.

Investments

Charts 3.2.3-e, 3.2.3-f, and 3.2.3-g show the performance and composition of the aggregate investment portfolio at sector level for the Brazilian insurance industry between 2010 and 2020. These data show that investment in 2020 amounted to 1.19 trillion Brazilian reais (228.41 billion dollars), concentrated in mutual funds (88.1%) and, to a significantly lesser extent, debt instruments (9.2%), fixed income (2.2%), cash and equivalents (0.3%), and other financial investments (0.1%). The aggregate portfolio of the Brazilian insurance industry notably indicates a high percentage of investments managed via mutual funds, an increase both in absolute terms and in relative terms compared to other investments over the course of the period under analysis, going from 79.3% in 2010 to 88.1% in 2020.

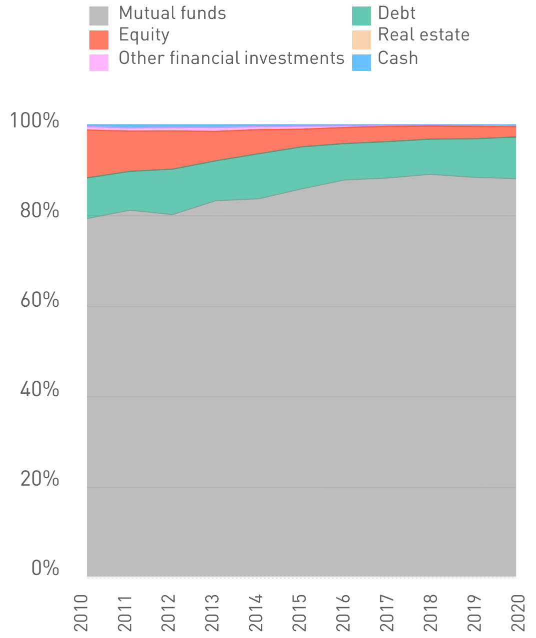
To supplement this analysis, Table 3.2.3-c shows the performance of investment structure, considering in this case the underlying assets managed with mutual funds. They are, in turn, essentially concentrated in fixed-income instruments, which made up

Chart 3.2.3-e
Brazil: Insurance Market Investments
(billions of reais)



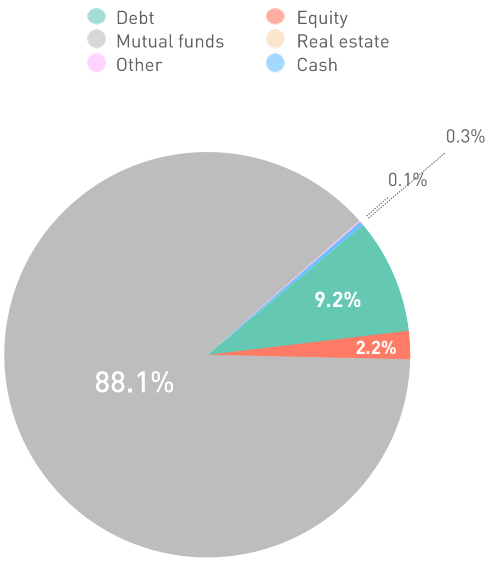
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-f
Brazil: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-g
Brazil:
Structure
of Investment, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Table 3.2.3-c
Brazil: Changes in the Structure of Investments by Underlying Asset
(composition, %)

Year	Fixed income	Equity	Property	Other investments
2010	86.9%	11.6%	0.5%	1.0%
2011	89.2%	9.4%	0.4%	1.0%
2012	89.4%	9.4%	0.4%	0.9%
2013	91.3%	7.1%	0.4%	1.1%
2014	93.3%	5.5%	0.4%	0.9%
2015	94.7%	4.0%	0.3%	1.0%
2016	95.1%	4.3%	0.2%	0.4%
2017	95.2%	4.3%	0.2%	0.3%
2018	95.4%	4.1%	0.2%	0.3%
2019	94.2%	5.3%	0.1%	0.4%
2020	92.8%	6.5%	0.2%	0.5%

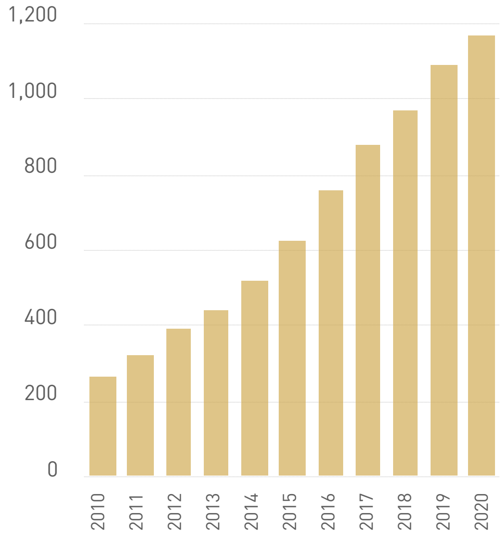
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

92.8% of investments in 2020. Notably, these data indicate an increase in the share of equity securities over the last two years, reaching 6.5% of total investments.

Technical provisions

Charts 3.2.3-h, 3.2.3-i, and 3.2.3-j show the performance and relative structure of technical provisions in the Brazilian insurance industry between 2010 and 2020 and in 2020 specifically. In the latter year, technical provisions stood at 1.17 trillion Brazilian reais (224.89 billion dollars), with the Life business accounting for around 87.8% of total provisions, if the percentage calculation includes the pension business. It should be specified that, although VGBL (Life Free Benefit Generator) insurance is recognized as an insurance product for regulatory and fiscal reasons, it is similar in nature to a pension product. Taking the foregoing into account, if provisions for this product are grouped with other pension products, these provisions can be seen to have increased over the 2010-2020 period, from 82.4% of the total in 2010 to 87.8% of the total in 2020.

Chart 3.2.3-h
Brazil: Technical Provisions of the Insurance Market
(billions of reais)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

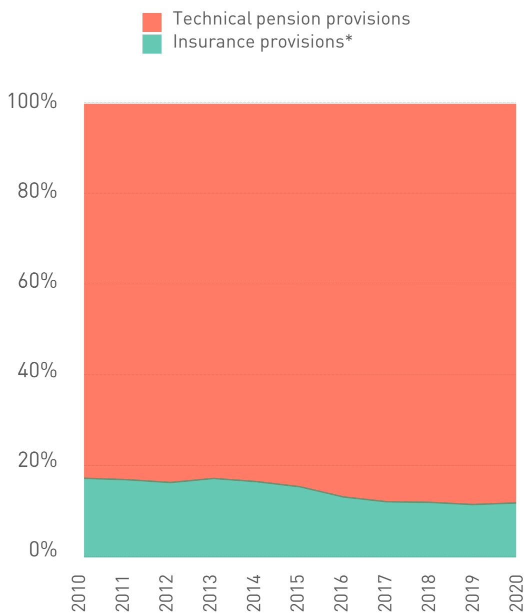
Technical performance

Chart 3.2.3-k shows combined ratio data for the entire Brazilian insurance industry. As the chart indicates, the aggregate indicator for all insurance lines in the market fell one percentage point in 2020 compared to the previous year, down to 92.6%, the result of a 0.7 pp increase in the expense ratio and a 0.3 pp increase in the loss ratio (40.3%).

Results and Profitability

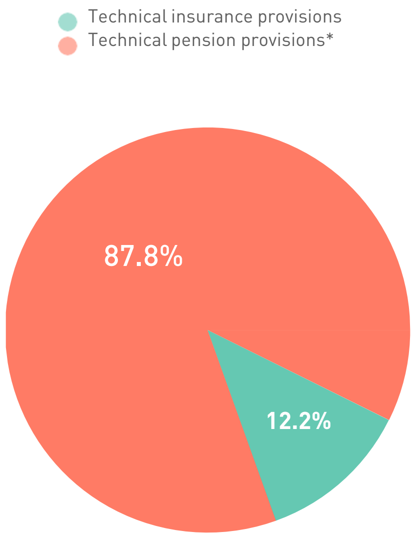
The above-mentioned impairment of technical performance of the Brazilian insurance market and, to a greater extent, the reduced contribution of investments, led to an insurance company net result in this market of 17.99 billion reals (3.49 billion dollars) in 2020, down -22.7% vs. the previous year. Profitability indicators for the Brazilian insurance industry therefore fell in 2020. Return on equity (ROE) was 17.4% compared to 24.6% in 2019, while return on assets (ROA) amounted to 1.4%

Chart 3.2.3-I
Brazil: Structure of Technical Provisions
(%)



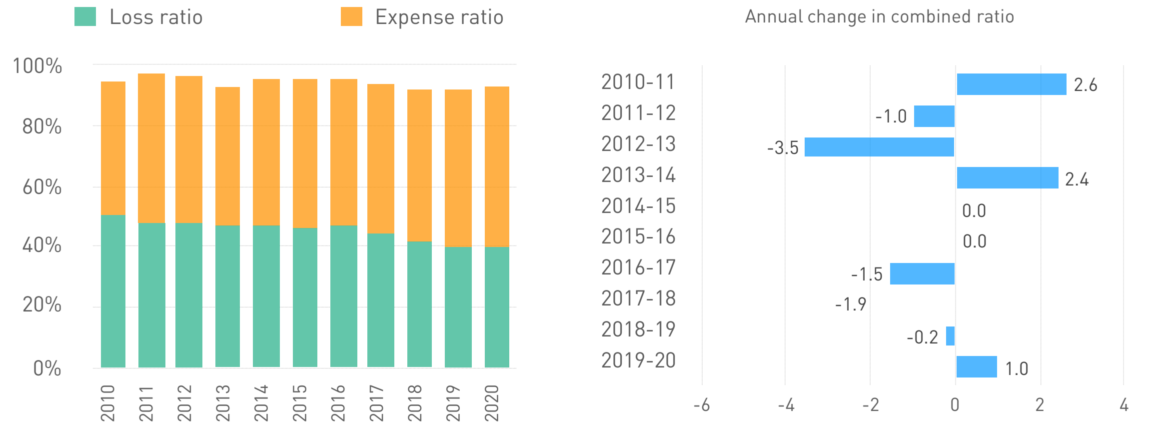
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
* Without VGBL

Chart 3.2.3-j
Brazil: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
*Without VGBL

Chart 3.2.3-k
Brazil: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



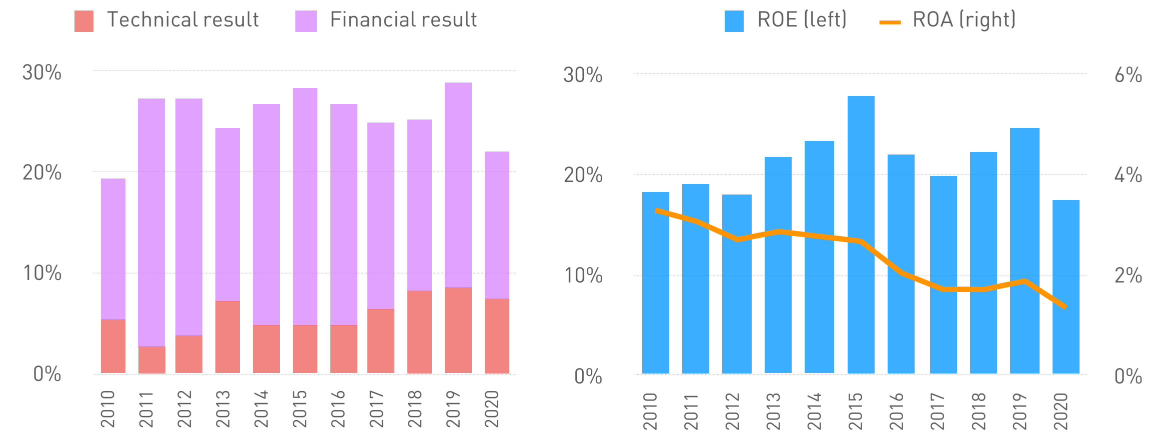
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

in 2020, -0.5 pp less than the previous year (see Chart 3.2.3-l).

Insurance penetration, density and depth

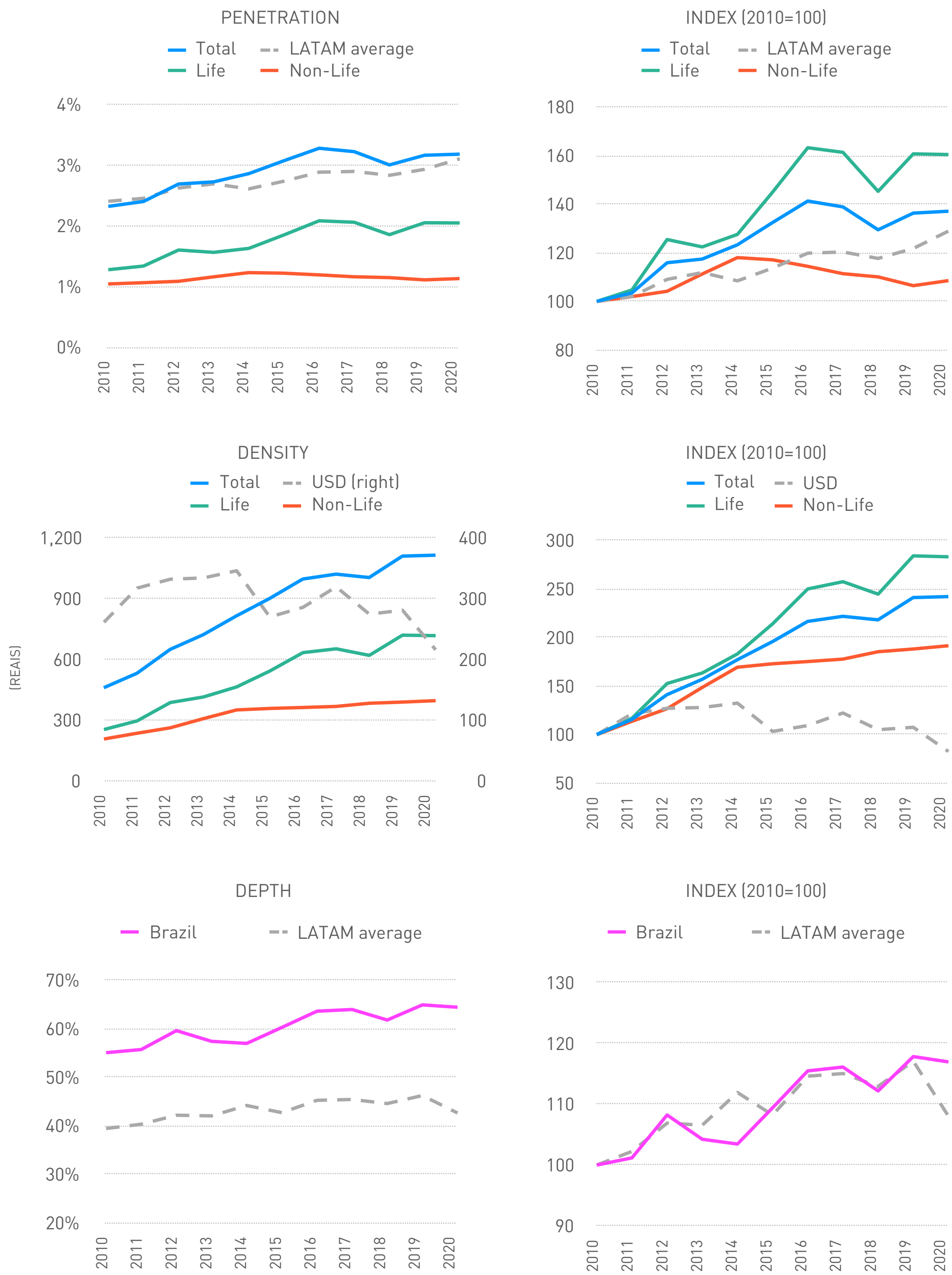
Chart 3.2.3-m shows the major structural trends in the development of the Brazilian insurance industry in the 2010-2020 period. The penetration rate (penetration (premiums/GDP) in 2020 was 3.2%, the same as recorded in 2019 and 0.9 pp above 2010 thanks to the positive performance of Life insurance over the course of said period. The penetration rate for the Brazilian market (considering only premiums

Chart 3.2.3-l
Brazil: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-m
Brazil: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, reais and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

from insurance activity) grew constantly between 2010 and 2016, in line with the average trend for the Latin American insurance market as a whole, but it fell in 2017 and 2018 and began to recover thereafter.

Insurance density (premiums per capita) stood at 1,114 reais (216 dollars), 0.4% more than the amount recorded in 2019 (1,110 reais) with better performance of the Life segment. The average density measured in local currency followed an upward trend over the course of the 2010-2020 period with a single dip in 2018. However, analysis of the indicator in dollars shows a drop beginning in 2014, coinciding with depreciation of the real.

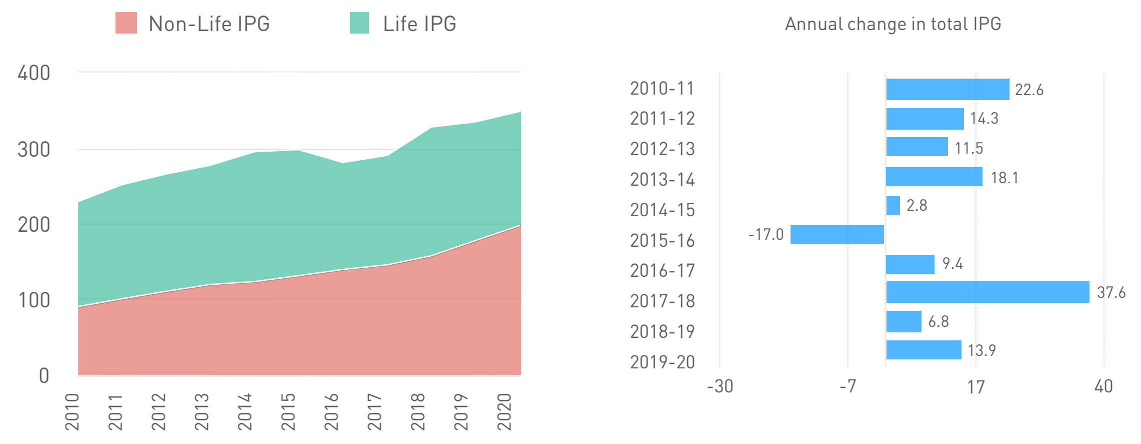
Finally, in terms of depth (measured as Life insurance premiums vs. total premiums), the 2020 indicator was 64.4%, up 9.4 vs. the value recorded in 2010, clearly above average amounts recorded in the wider region, with a 0.5 pp drop in 2020 compared to the previous year.

Estimation of the Insurance Protection Gap

Chart 3.2.3-n provides an update of the estimation of the insurance gap for the Brazilian insurance market over the last 10 years. According to these data, the IPG was 348.9 billion reais (67.7 billion dollars) in 2020, a sum equivalent to 1.5 times the actual insurance market at year end 2020. Meanwhile, in terms of structure, 43.2% of the IPG related to Life insurance in 2020 (150.7 billion reais), while the Non-Life insurance segment accounted for the remaining 56.8% of the gap (198.3 billion reais). Notably, over the course of the 2010-2020 period, Life insurance's contribution to the IPG fell nearly 17.2 pp. The potential insurance market in Brazil in 2020 (sum of the actual market plus the IPG) was therefore estimated at 585.8 billion reais (113.62 billion dollars); i.e., 2.5 times the total insurance market in Brazil that year (see Chart 3.2.3-o).

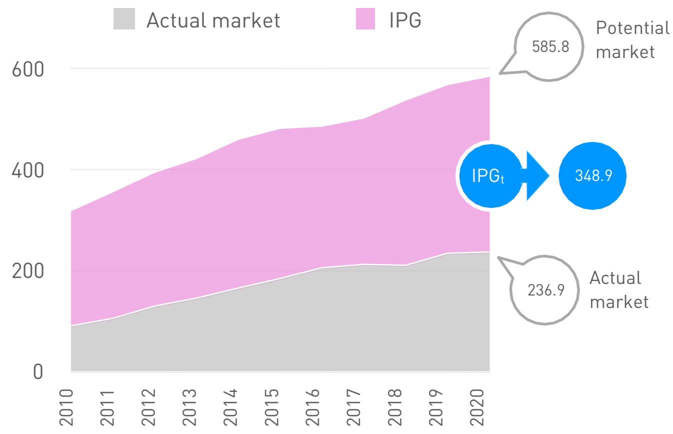
Chart 3.2.3-p shows the estimated IPG as a multiple of the actual market, which generally followed a downward trend over the course of the period under analysis, staying low in the Life segment, although Non-Life did gradually increase after 2014 and Life stagnated in 2020.

Chart 3.2.3-n
Brazil: Insurance Protection Gap
(billions of reais)



Source: MAPFRE Economics

Chart 3.2.3-o
Brazil: Insurance Protection Gap and Potential Market
(billions of reais)



Variation	Actual market	IPG
2020-2010	162.9%	52.5%
2020-2019	1.1%	4.2%

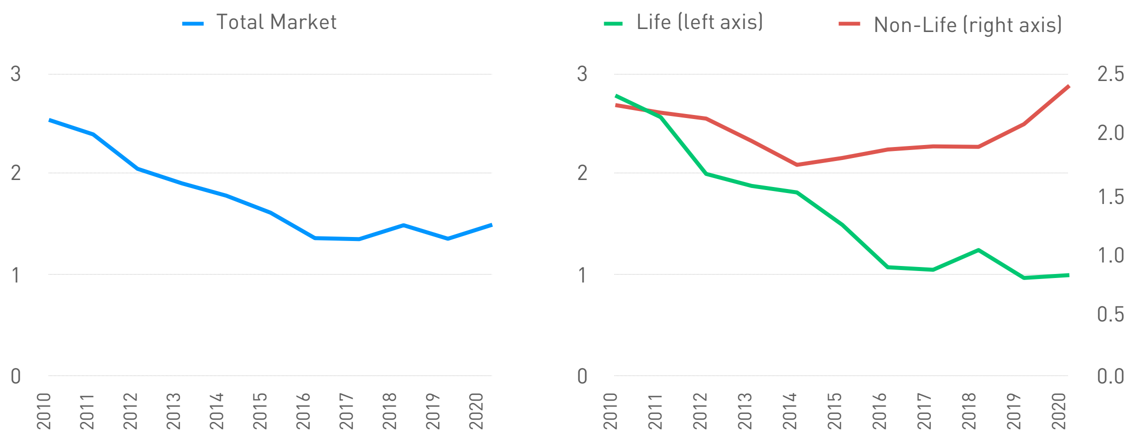
Source: MAPFRE Economics

However, from a medium-term standpoint, the total IPG fell from 2.5 to 1.5 times the size of the actual market between 2010 and 2020, while the multiple for the Life market fell from 2.8 to 1.0 and for the Non-Life market it increased from 2.2 to 2.4 times.

Chart 3.2.3-q complements this analysis by showing the performance of the IPG as a multiple of the actual market for the Life segment, the Non-Life segment, and the Brazilian insurance market as a whole in 2010 and 2020. This chart shows substantial improvement in closing the gap for the Life business over the course of the last 10 years. This was not the case for the Non-Life segment, where the IPG lost ground slightly over the last decade.

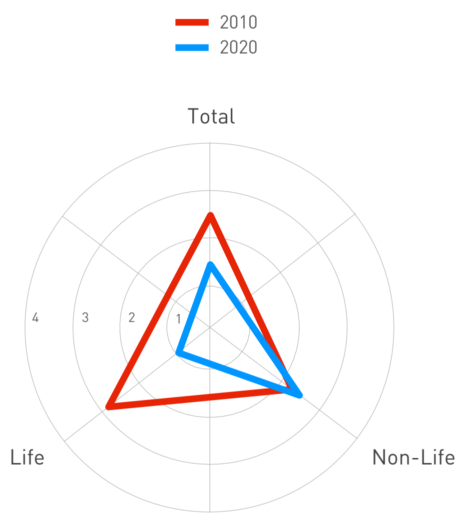
Chart 3.2.3-r provides a summary update on the evaluation done on the Brazilian insurance market's capacity to close the insurance gap estimated in 2020, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close said gap over the next 10 years. The Brazilian insurance market grew at an average annual rate of 10.1% during the period

Chart 3.2.3-p
Brazil: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.2.3-q
Brazil: Changes in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

under analysis, with an annual rate of 11.9% in the Life insurance segment and an annual average of 7.6% for Non-Life insurance.

According to this analysis, were the same growth rate seen over the last 10 years to continue for the next 10 years, the Brazilian insurance market's growth rate would be sufficient to close the insurance gap in the Life segment, but not the Non-Life segment, where it would fall 5.3 pp short. This insufficiency is larger than the one noted in 2019 (3.4 pp).

Market Development Index (MDI)

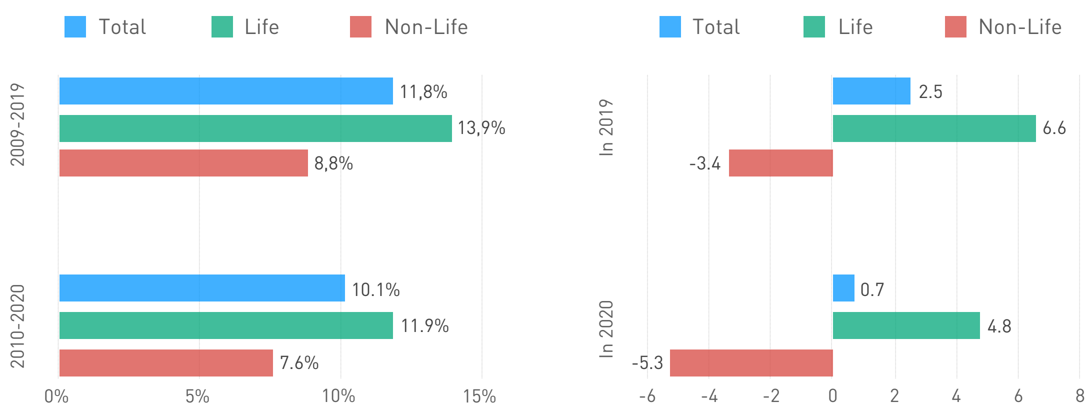
Chart 3.2.3-s shows an estimate of the Market Development Index (MDI) for the Brazilian insurance industry. The MDI, an indicator used to measure the trend in the development and maturity of the insurance market, showed a generally positive trend in the 2010-2020 period, even surpassing the average for the Latin American insurance market as a whole in this period.

However, it should be noted that, in line with the performance of the market and the insurance gap, this index contracted between 2017 and 2018, but subsequently recovered in 2019.

Comparative analysis of structural coefficients

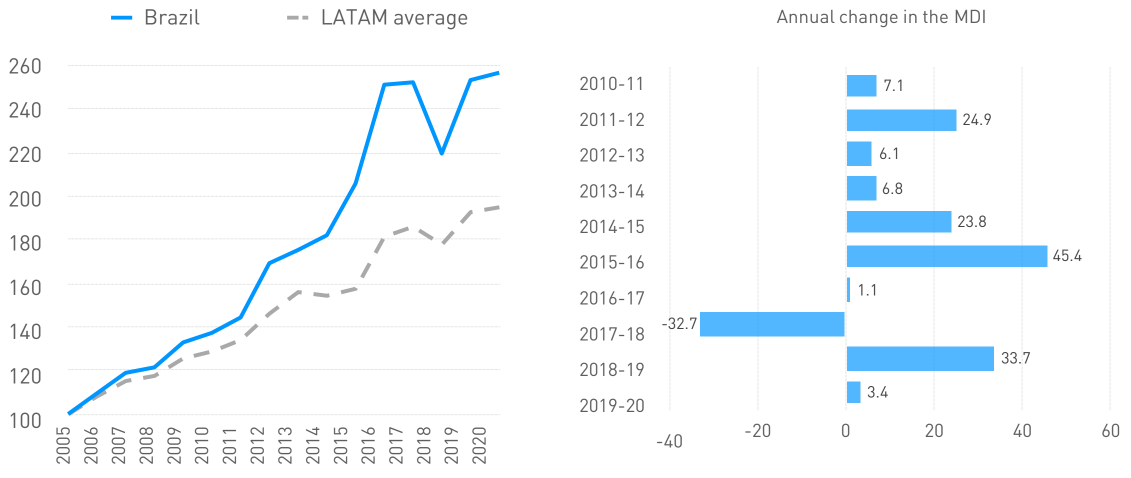
Chart 3.2.3-t shows the situation of the Brazilian insurance market in comparison with the Latin American average in terms of the four structural coefficients analyzed in this section of the report: penetration, density, depth, and

Chart 3.2.3-r
Brazil: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.2.3-s
Brazil: Market Development Index (MDI)
(2005 index=100; annual change)

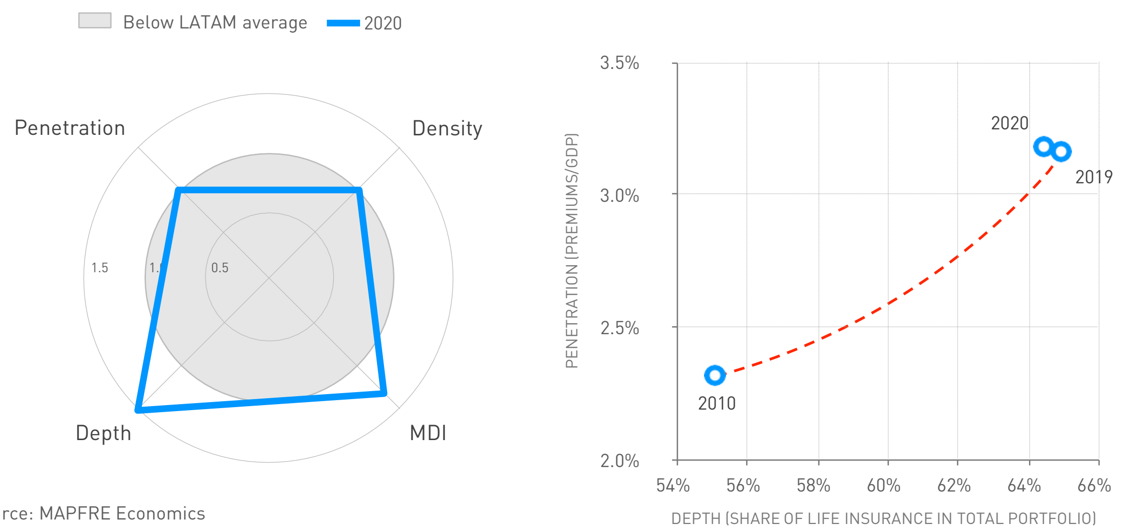


Source: MAPFRE Economics

and MDI. As stated in last year's report, the Brazilian market exceeds the regional average in all aspects, especially in terms of depth and MDI.

Furthermore, the dispersion analysis shown in the aforementioned Chart 3.2.3-t confirms that, over the 2010-2020 period, the Brazilian insurance industry showed balanced development characterized by increases in both penetration levels (quantitative aspect) and depth levels (qualitative aspect).

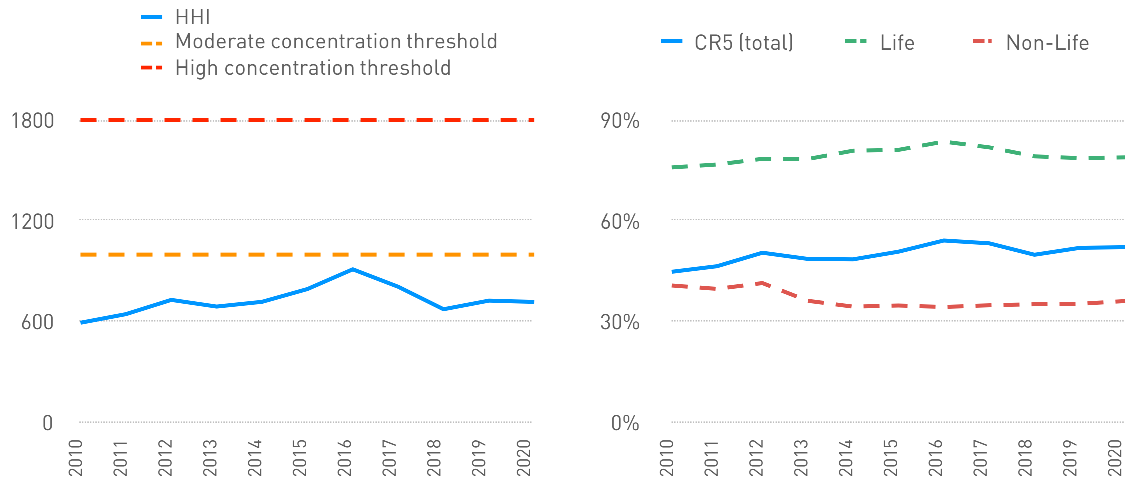
Chart 3.2.3-t
Brazil: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.2.3-u
Brazil: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



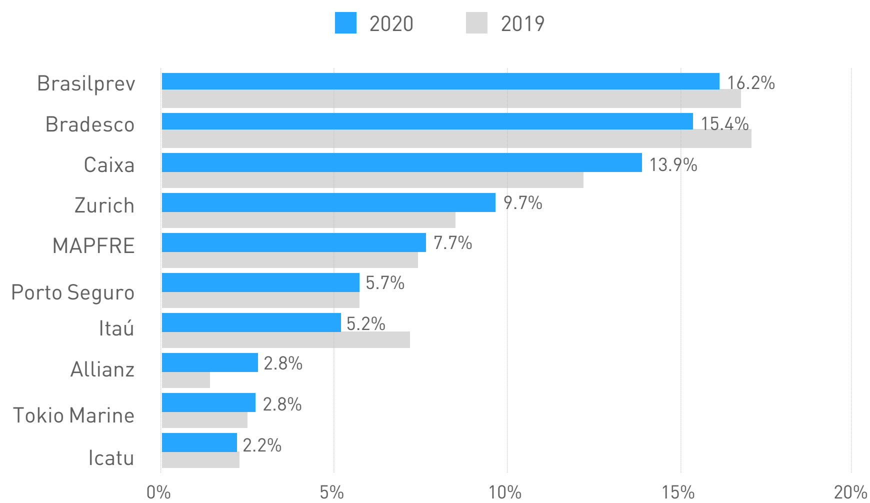
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Insurance Market Rankings

Overall ranking

In 2020, 122 insurance companies were operating in the Brazilian insurance industry, the same as in 2019. As Chart 3.2.3-u shows, the industry's concentration levels began to fall in 2017, rose in 2019 and fell again in 2020 with the Herfindahl index hitting 719.1 (726.8 in 2019), below the moderate concentration threshold, while the CR5 index rose slightly in 2020 to 52.3% (52.1% in 2019), with a higher concentration in Life (79%) than in Non-Life (36.2%).

Chart 3.2.3-v
Brazil: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

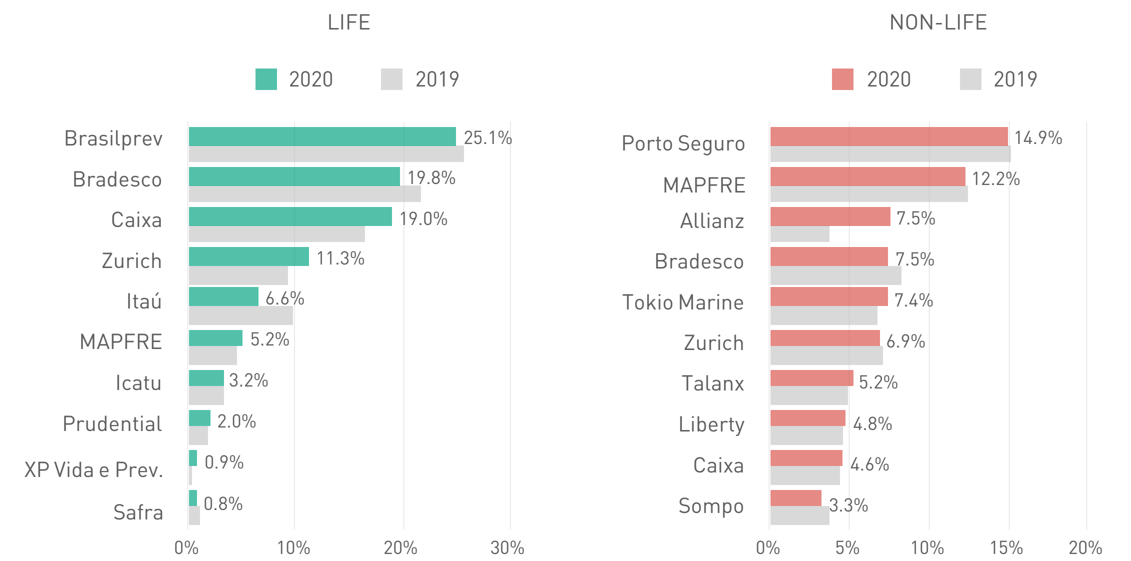
As Chart 3.2.3-v shows, the 2020 overall ranking of insurance groups on the Brazilian market was led by Brasilprev, with a market share of 16.2% of market premiums, surpassing Bradesco, which moved to second place after losing nearly 2 pp of its share, which fell to 15.4%. Caixa, Zurich, and MAPFRE followed them, all with increased market shares. In terms of the other positions, it is worth highlighting that Allianz entered the ranking after acquiring the Auto and primary lines operations from Brazilian insurance company SulAmérica and took eighth place with a market share of 2.8%.

Non-Life and Life rankings

In the Non-Life ranking, Porto Seguro took first place with 14.9% of market premiums (15.2% in 2019), followed by MAPFRE, which held onto second place with a market share of 12.2%. The Allianz group moved from tenth to third place thanks to the above-mentioned transaction of acquiring SulAmérica's Auto and fundamental lines of business, reaching a market share of 7.5%, nearly four points more than in 2019. This shift caused Bradesco to fall to fourth, while Tokio Marine held onto fifth place, followed by Zurich, which fell two places, and Talanx and Liberty, which each dropped one. Finally, Caixa remained in ninth position, and Sompo entered the ranking in tenth place.

In the 2020 life ranking, the top three positions went unchanged compared to the 2019 ranking, with Brasilprev leading the board with a market share of 25.1%, down 0.7 pp compared to the previous year. Bradesco and Caixa followed with the former's market share dropping 2.0 pp and the latter's rising 2.6 pp. Zurich and Itaú changed places, with the Swiss group rising to fourth and Itaú falling to fifth. MAPFRE, Icatu, and Prudential stayed in sixth, seventh, and eighth place, respectively, while ninth place remarkably went to XP Vida e Previdência, which climbed seven places thanks to the sale of VGBL products and took Safra's place as last on the list (see Chart 3.2.3-w).

Chart 3.2.3-w
Brazil: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Key Regulatory Aspects

Since 2019, and even more in 2020, despite the tough situation caused by the pandemic, the Superintendency of Private Insurance (SUSEP) has been carrying out an extensive regulatory review process with two objectives. On the one hand, it is looking to update and consolidate existing standards and, on the other, modernize, improve flexibility, and relax the insurance industry's regulatory structure. Thus, it conceptually reformulated the role of the regulator or supervisor, giving more freedom to the insurance market to create and sell products. Consumer protection was also valued and SUSEP's oversight powers were expanded, mainly via the use of new tools using Suptech technology. The goal is for the market to expand and gain flexibility, thereby stimulating competition, expanding the supply and variety of products and, as a result, getting a larger portion of society to hold insurance.

In this context, the following regulatory instruments were issued in the Brazilian insurance market in 2020:

- CNSP Resolution No. 381 of March 4, establishing the authorization and operating conditions for a set amount of time for insurance companies participating exclusively in a regulatory sandbox to develop an innovative project in compliance with the previously-established criteria and limits. The idea is to encourage innovation in the market by creating a sandbox regulatory environment for a set period of time so that new products and services can be tested with innovation-friendly regulatory requirements.

- CNSP Resolution No. 382 of March 4, defining the principles that must be observed in behavior practices adopted by insurance companies, capitalization enterprises, open supplementary pension companies, and intermediaries, in terms of customer relations and the use of mystery shoppers in SUSEP oversight activities. The purpose of this provision is to institutionalize the principles of behavior that regulated companies must observe and apply, according to the recommendations of the International Association of Insurance Supervisors (IAIS).

- SUSEP Circular No. 598 of March 19, 2020 discussing the authorization, functioning for a specific period of time, rules and criteria for operating with products, portfolio transfer, and sending participating companies' details exclusively in a regulatory sandbox to develop an innovative project in compliance with the previously-established criteria and limits. The goal is to define the rules and criteria so that insurance companies can operate in a sandbox regulatory environment. They are expected to develop products and services offering technology that stands out in the insurance market to expand insurance coverage in the country, stimulate competition and innovation, and provide insured parties with a new experience.

- CNSP Resolution No. 383 of March 20, describing the insurance operations, open supplementary pensions, capitalization, and reinsurance registry. This resolution created the electronic registry system for operations of local insurance companies, open supplementary pension companies, capitalization enterprises, and reinsurers. Establishing this system will give SUSEP, the companies it oversees, consumers, public bodies, and other stakeholders quick, secure, and efficient access to a consolidated database of the relevant information on all operations in compliance with confidentiality requirements set out by law. The objective is to promote improvement in SUSEP's regulatory, monitoring, and oversight process, offering consumers and participants on the market direct access to information ensuring more secure conditions and greater efficiency, as well as contributing to streamlining processes and reducing regulatory compliance expenses.

- SUSEP Circular No. 612 of August 18, setting out the policies, procedures, and internal controls aimed specifically at fighting money laundering, hiding assets, rights, and securities, and related crimes, as well as preventing and prohibiting the financing of terrorism. The goal is to strengthen anti-money laundering and financing of terrorism mechanisms, following international best practices recommended by FATF to guarantee the soundness and solvency of the insurance market.

- CNSP Resolution No. 388 of September 8, establishing the segmentation for local insurance companies, capitalization enterprises, and reinsurers, as well as open supplementary pension companies so proportional, prudential regulation may be applied. The purpose is to establish appropriate, custom prudential requirements in line with the risk profile of each overseen company to guarantee its soundness and solvency without imposing excessive obligations.

- CNSP Resolution No. 389 of September 8, amending CNSP Resolution No. 321 of July 15, 2015 to establish custom prudential requirements in line with the risk profile of each overseen company to guarantee its soundness and solvency without imposing excessive obligations, and complementing CNSP Resolution No. 388.

- SUSEP Circular No. 615 of September 22, amending SUSEP Circular No. 517 of July 30, 2015. Its objective is to establish custom prudential requirements in line with the risk profile of each overseen company to guarantee its soundness and solvency without imposing excessive obligations and to complement CNSP Resolution No. 388.

- CNSP Resolution No. 396 of December 11, setting out provisions for local reinsurers whose sole objective is to accept risk via reinsurance or reverse transactions and finance them with debt associated with insurance or reinsurance risk.

- SUSEP Decision No. 243 of December 18, approving the regulatory plan for fiscal year 2021.

- SUSEP Circular No. 620 of December 29, setting out the rules and criteria for selling property group insurance. These provisions are designed to revise the property group insurance rules to simplify the regulations and make them more flexible, so companies can structure and sell these products.

- CNSP Resolution No. 399 of December 29, setting out the rules and criteria for selling mandatory Personal accident insurance for injuries of people transported or not by land vehicles (DPVAT insurance), for claims occurring until December 31, 2020.

- Resolution CNSP No. 400 of December 29 setting out the management and application of compensation connected with mandatory Personal accident insurance for injuries of people transported or not by land vehicles (DPVAT insurance), to guarantee continued payment of compensations pursuant to Law No. 6,194 of December 19, 1974, on claims occurring after January 1, 2021.

The following regulations have been issued so far in 2021:

- SUSEP Circular No. 621 of February 12, setting out the rules and criteria of operation for selling casualty insurance. These provisions are designed to revise casualty insurance rules to simplify the regulations and make them more flexible, so companies can structure and sell these products. The amendments proposed aim to deregulate the industry with less prescriptive rules, increase and diversify the products and insurance coverage offered in the country, and reduce the price for consumers.

- SUSEP Circular No. 622 of February 26, amending SUSEP Circular 612 of August 18, 2020, setting out the policies, procedures, and internal controls aimed specifically at fighting money laundering, hiding assets, rights, and securities, and related crimes, as well as preventing and prohibiting the financing of terrorism.

- CNSP Resolution No. 404 of March 26, defining Rural Insurance and the Rural Insurance Stability Fund (FESR).

- CNSP Resolution No. 407 of March 29, defining the principles and general characteristics to structure and sell casualty insurance contracts covering substantial risks.

- SUSEP Circular No. 623 of March 5, setting out the updated BR-EMS biometric tables. The goal is to regulate the mechanism for updating dynamic BR-EMS biometric tables, which are developed based on Brazilian insurance market experience.

- SUSEP Circular No. 624 of March 22, setting out the conditions for the voluntary and mandatory register for casualty insurance and personal insurance operations structured within the simple distribution financial regime in registry systems approved and managed by SUSEP-accredited register authorities.

The following regulatory provisions are open to public consultation[32]:

- Public consultation No. 14/2021 – CNSP Resolution defining the internal control system, the risk management system, and internal audit activity, revising and consolidating the provisions of SUSEP Circular No. 249, of February 20, 2004 and Title II, Chapter II, of SUSEP Circular No. 517 of July 30, 2015. The objective is to revise and consolidate requirements on internal controls, risk management, and internal auditing, promoting greater alignment between them and incorporating national and international best practices to guarantee the soundness and solvency of the insurance market.

- Public consultation No. 15/2021 – SUSEP Circular setting out the cybersecurity requirements that local insurance companies, open supplementary pension companies, capitalization enterprises, and reinsurance companies must follow. The goal of this project is to bolster the cybersecurity of companies overseen, following national and international best practices to guarantee the soundness and solvency of the insurance market.

- Draft CNSP Resolution - Remote means, simplifying regulations and making them more flexible, reducing unnecessary prescriptive rules, strengthening requirements that guarantee the security of remote operations, and including the capitalization segment in the regulations to enable the use of remote means in capitalization operations.

- Draft CNSP Resolution – Microinsurance, promoting an extensive revision and simplification of the regulatory framework currently in place and facilitating the development of a market as important as this one to the financial inclusion of the most vulnerable groups of Brazilian society.

- Draft SUSEP Circular – Vehicle insurance, to review and consolidate specific vehicle insurance standards, except for green card insurance, DPVAT insurance, and extended warranty insurance, which have specific regulations. The primary objectives are: (i) make coverage structure and product design more flexible; (ii) simplify the regulations, reducing prescriptive rules and offering more contractual freedom, and (iii) better organize the regulations and exclude rules that have been attempted in other regulations.

- Draft CNSP Resolution and SUSEP Circular – Sandbox: (i) CNSP Resolution amending CNSP Resolution No. 381 of March 4, 2020, establishing the authorization and functioning for a specific period of time for companies participating exclusively in a regulatory sandbox to develop an innovative project in compliance with the previously-established criteria and limits, and (ii) SUSEP Circular amending SUSEP Circular No. 598 of March 19, 2020, on authorization and functioning for a specific period of time of the rules and criteria for operating with products, portfolio transfer, and sending details of companies participating exclusively in a regulatory sandbox environment to develop an innovative project in compliance with previously-established criteria and limits.

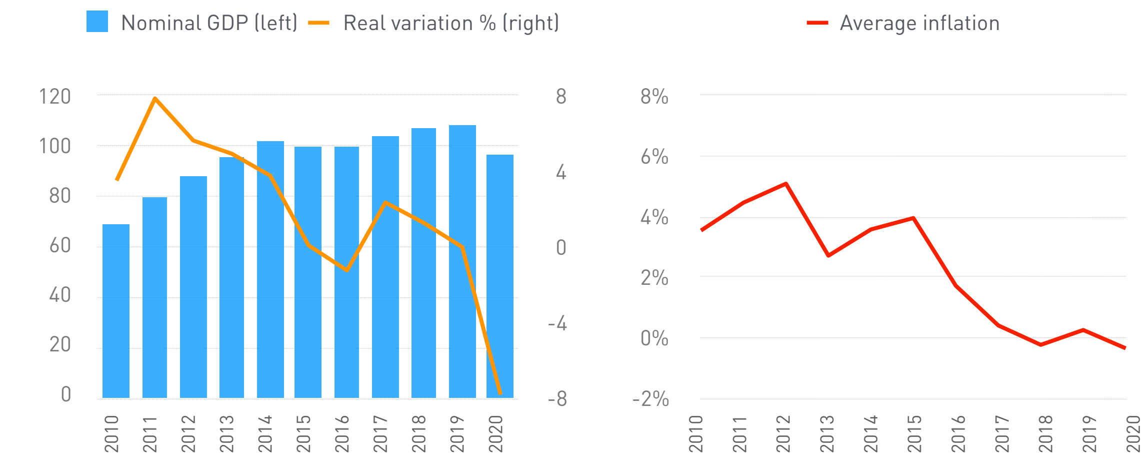
3.2.4 Ecuador

Macroeconomic Environment

As Chart 3.2.4-a shows, the economy of Ecuador contracted significantly in 2020, around -7.8% (compared to virtually zero growth the previous year), as a result of the gravity of the effects of the pandemic on this country and the effects of social distancing measures on its economy, causing an abrupt drop in domestic demand due to reduced private consumption and already weak investment, in addition to the impact of falling foreign demand and oil prices, a commodity the Ecuadorian economy is a net exporter of, although shrimp and agricultural products are its best performing commodities. All of this led to a significant number of job losses with average unemployment at 5% of the workforce (3.8% in 2019), exacerbated by high rates of informal employment in the country.

The fiscal deficit increased significantly as a result of falling tax revenue and ended the year at 5.6% of GDP in 2020, vs. 2.8% the previous year, once again moving away from the surplus targets agreed upon with the IMF as part of the aid package issued in March 2019, despite having applied austerity measures that cut public spending. According to ECLAC data, aggregate public debt in Ecuador stood at about 63.9% of GDP at year end 2020 (vs. 53.4% in 2019), with a significant shift in the structure of foreign debt where multilateral loans make up a major share vs. bond issue in international markets. In 2020, the balance of payments current account had a surplus equivalent to 2.5% of GDP (vs. the 0.1% deficit in 2019). Inflation averaged -0.3% in 2020 (-0.3% in 2019), returning to deflationary territory due to the weakness of the economy.

Chart 3.2.4-a
Ecuador: Changes in Economic Growth and Inflation
(GDP in local currency, billions of USD; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

ECLAC forecasts a slow recovery in 2021 with growth around 3%, although there is still quite a bit of uncertainty and recovery will depend on the country's ability to quickly overcome the health crisis and the scope of the economic stimulus policies implemented by the authorities.

Insurance Market

Growth

Premiums in the Ecuadorian insurance market fell -5.6% in nominal terms and -5.3% in real terms in 2020 to 1.7 billion dollars, thereby breaking the upward trend of the previous years (see Chart 3.2.4-b and Table 3.2.4). The Non-Life business, which had a higher premium volume, fell -6.3% in nominal terms (-6% in real terms), while Life insurance fell -3.6% (-3.3% in real terms). The Non-Life segment accounted for 75.4% of premiums in 2020, with negative performance in most lines. Auto premiums fell -14.9% in nominal terms (-14.7% in real terms) and Personal accident insurance notably fell -17.6% in nominal terms. Transport, Third-Party Liability, and Credit and Surety also fell -7.2%, -7.4%, and -7.6%, respectively. Health, Fire, and Other Lines were the other lines of business that grew. In the Life segment, group insurance performed negatively, falling -3.2%, while individual Life saw premiums fall by -10%.

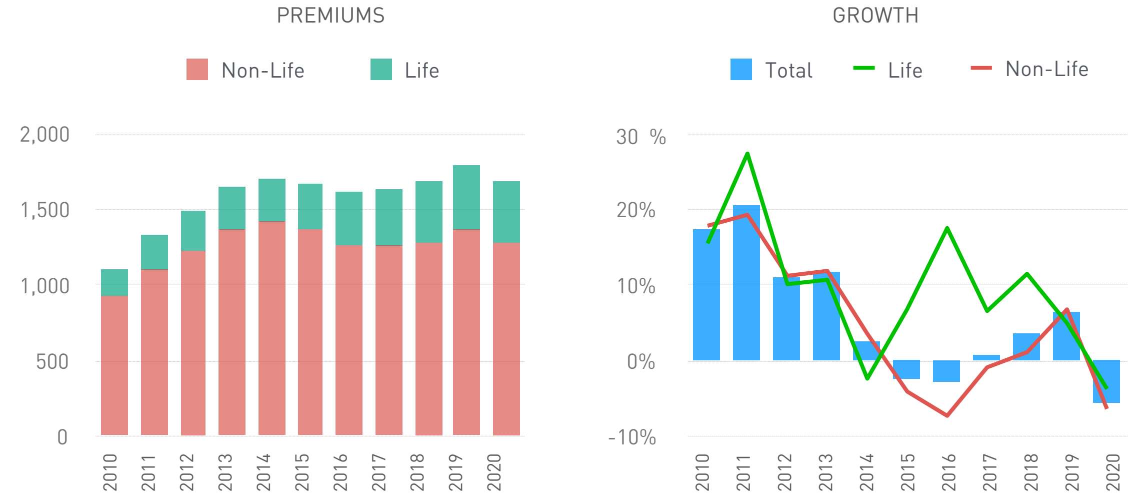
Upon analyzing the structure of the -5.6% drop recorded by the Ecuadorian insurance market in 2020, the Non-Life segment negatively contributed -4.8 pp, while Life insurance contributed -0.9 pp. As shown in Chart 3.2.4-c, both segments contributed positively to industry growth in 2018 and 2019, a situation that changed in 2020.

Table 3.2.4
Ecuador: Premium Volume[1] by Line, 2020

Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**1,696**	**-5.6**	**-5.3**
Life	**418**	**-3.6**	**-3.3**
Individual Life	26	-10.0	-9.6
Group Life	392	-3.2	-2.9
Non-Life	**1,278**	**-6.3**	**-6.0**
Auto	341	-14.9	-14.7
Other lines	240	0.7	1.0
Fire, theft and allied lines	265	2.4	2.7
Transport	122	-7.2	-6.9
Personal accident	75	-17.6	-17.3
Surety and credit	77	-7.6	-7.3
Health	86	4.8	5.1
Third-party liability	71	-7.4	-7.1

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)
1/ Gross written net premium (corresponds to direct and taken premium, less liquidations and surrenders, and coinsurance premiums yielded)

Chart 3.2.4-b
Ecuador: growth developments in the insurance market
(premiums, millions of USD; annual nominal growth rates, %)

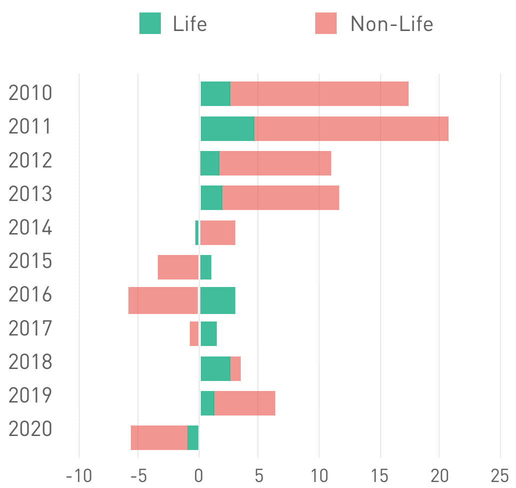


Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Balance Sheet and Shareholders' Equity

Chart 3.2.4-d shows the aggregate balance sheet of the Ecuadorian insurance industry. The data show that total assets reached 2.28 billion dollars in 2020, a figure 119.7 million dollars larger than the previous year. Equity stood at 662 million dollars, up 15.4 million dollars from the previous year. Furthermore, aggregate capitalization levels in the insurance industry (measured over total assets) exceeded 30% between 2010 and 2011. From then on they fell below said percentage with a minimum of 25.6% in 2013, partially recovering later on,

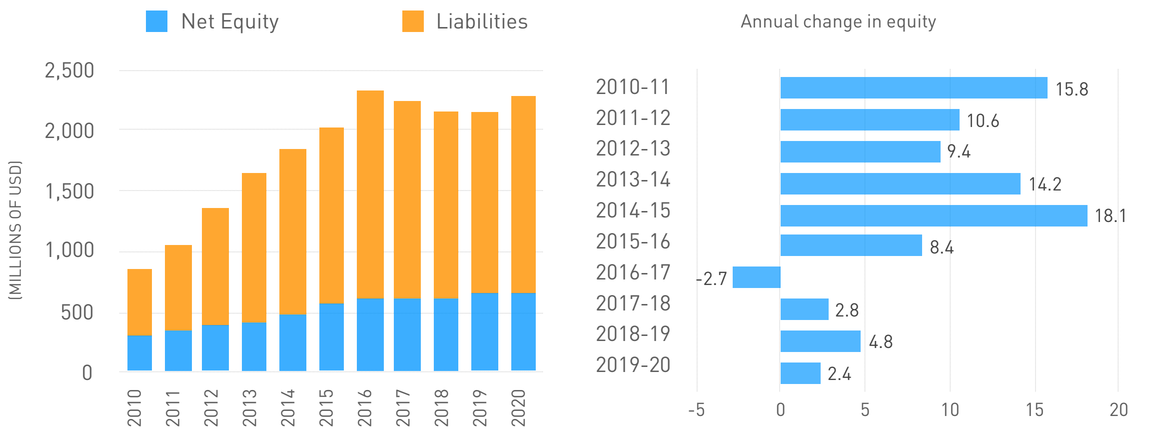
Chart 3.2.4-c
Ecuador: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	17.5	2.6	14.9
2011	20.7	4.5	16.2
2012	11.1	1.8	9.3
2013	11.7	1.9	9.9
2014	2.6	-0.4	3.0
2015	-2.2	1.1	-3.4
2016	-2.8	3.1	-5.9
2017	0.8	1.4	-0.6
2018	3.6	2.6	0.9
2019	6.4	1.2	5.2
2020	-5.6	-0.9	-4.8

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-d
Ecuador: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

reaching 30.0% of total assets in 2019 and falling again in late 2020 to 29.1% of assets.

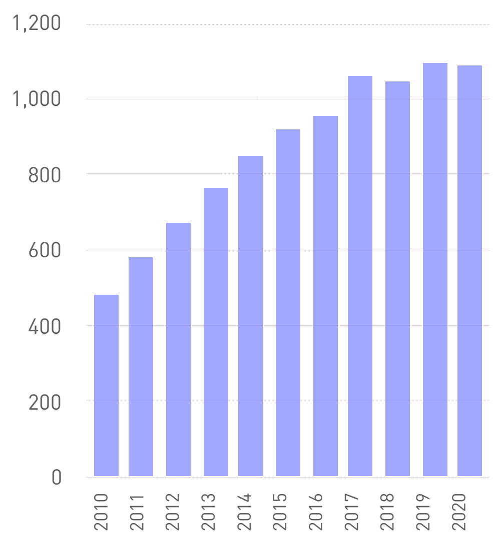
Investments

Chart 3.2.4-e shows the performance of the aggregate investment portfolio at the sector level in Ecuador between 2010 and 2020, while Charts 3.2.4-f and 3.2.4-g show changes in the relative composition of the portfolio over this period. As shown in the chart, investment amounted to 1.090 billion dollars in 2020, a figure very similar to the previous year (1.093 billion). Fixed-income instruments decreased (55% in 2020, vs. 57.8% in 2019) and there was also a slight increase in property (14.8% vs. 14.1% in 2019), to the detriment of equity instruments (21.8% of total investment vs. 22.9% in 2019).

Technical provisions

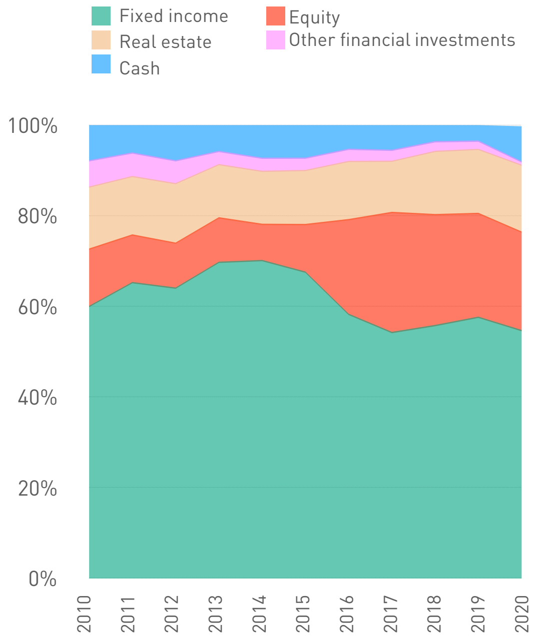
Charts 3.2.4-h, 3.2.4-i, and 3.2.4-j show the evolution and relative composition of the Ecuadorian insurance industry's technical provisions over the 2010-2020 period. In the latter year, technical provisions amounted to 819 million dollars (799 million dollars in 2019). Provisions for life insurance continued growing in 2020 (after significantly increasing in 2017), to 16.4%. Similarly, 21.9% of technical provisions corresponded to Non-Life insurance unearned premiums and unexpired risks, 58.2% to provisions for outstanding claims, 1.5% to provisions for catastrophic risks, and the remaining 2% to other technical provisions.

Chart 3.2.4-e
Ecuador: Insurance Market Investments
(millions of USD)



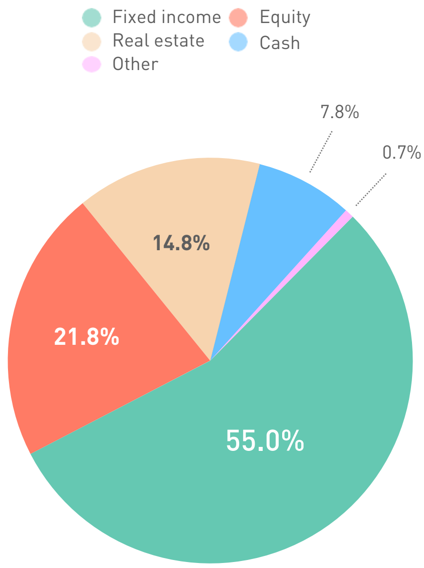
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-f
Ecuador: Structure of Investments
(%)



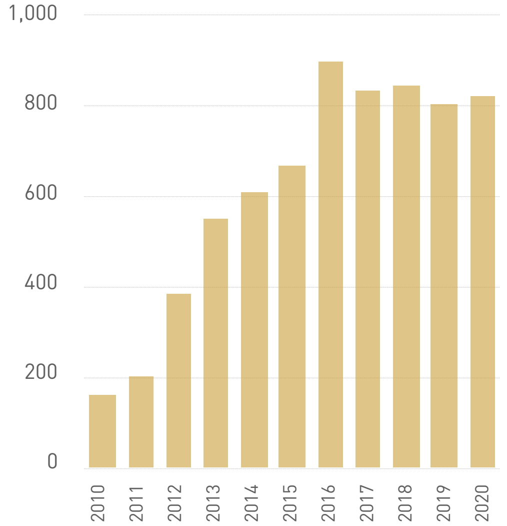
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-g
Ecuador: Structure of Investment, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-h
Ecuador: Technical Provisions of the Insurance Market
(millions of USD)



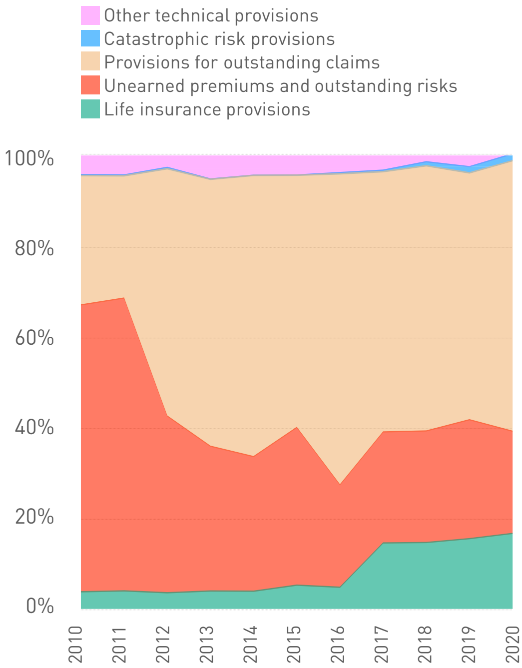
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

It is important to note that the change in the composition of technical provisions in 2012 was mainly due to the accounting effect of Resolution No. SBS-2012-0068 of February 7, 2012, which modified the treatment of provisions for outstanding benefits. Until 2011, said benefits were considered net of ceded reinsurance. These provisions are now presented in their gross amount, while including under assets the amount receivable by the reinsurer. The other major change was between 2015 and 2016, due to a relative increase in the provision for outstanding benefits as a result of the earthquake that struck the country in April 2016.

Technical performance

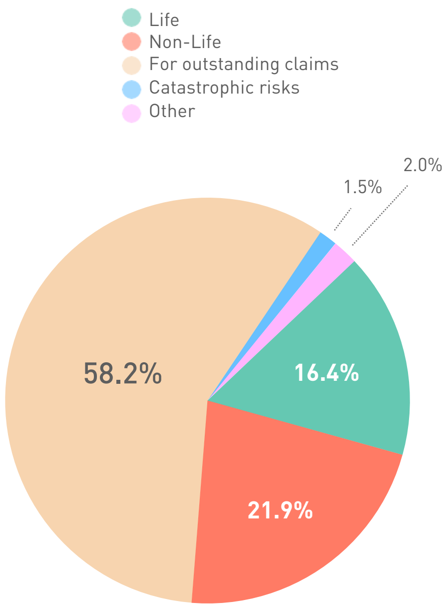
The technical performance of the Ecuadorian insurance industry between 2010 and 2020 is shown in Chart 3.2.4-k. According to said data, in the last year of that period, the combined ratio worsened by -6.0 pp to 80.01%. The loss ratio increased 7.4 pp and the expense ratio

Chart 3.2.4-i
Ecuador: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-j
Ecuador: Structure of Technical Provisions, 2020
(%)

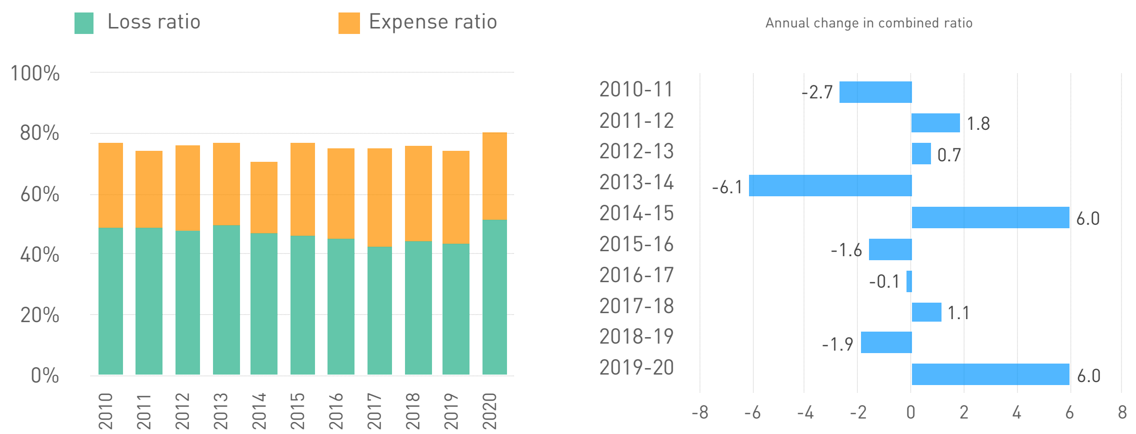


Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

improved -1.4 pp to 51.03% and 28.98%, respectively. It is interesting to note that the total combined ratio stood well below the parameter of 100% throughout the decade under analysis.

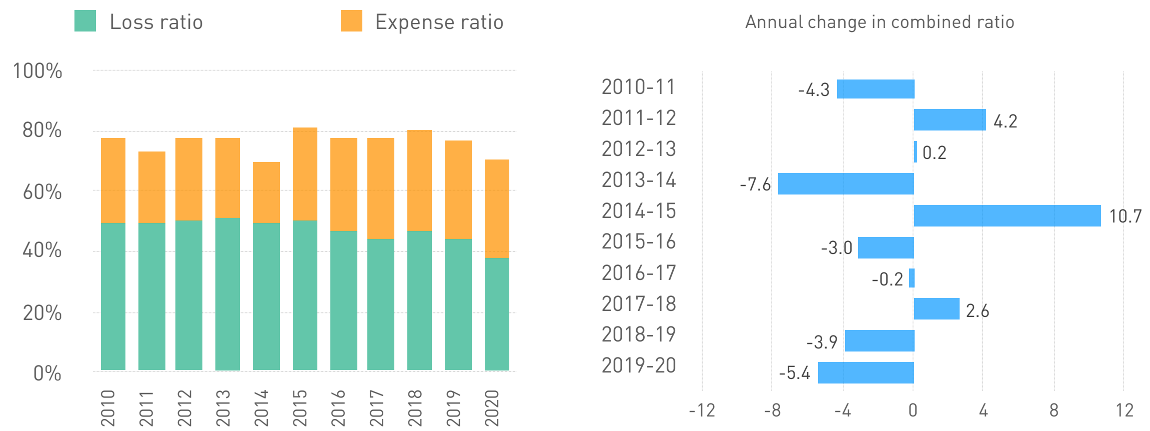
The Non-Life segment shown in Chart 3.2.4-l demonstrates that the combined ratio also decreased in 2020 to 70.9%, down -5.4 pp compared to the previous year. Improvement in the combined ratio is attributable to the -6.1 pp drop in the loss ratio, while the expense ratio

Chart 3.2.4-k
Ecuador: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-l
Ecuador: Changes in Non-Life Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



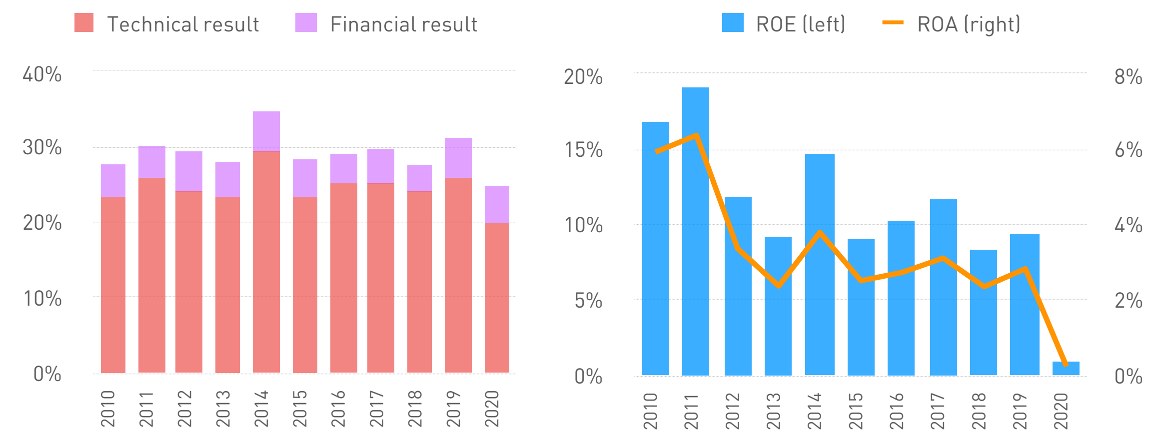
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

increased 0.7 pp. As in the case of the total combined ratio, the indicator for the Non-Life segment hovered at around 80% throughout the last decade, although it did fall to 70.9% in 2020. It is worth mentioning, however, that the technical result described above does not include other revenues and expenses considered non-operational and associated, on the one hand, with deals made by insurance companies in Ecuador and, on the other, certain administrative costs not calculated as such in the country for the purposes of the expense ratio. This could explain the notably low combined ratio both overall and in the Non-Life insurance segment.

Results and Profitability

In 2020, the aggregate technical result of the insurance industry in Ecuador fell to 207 million dollars, down 28.5% vs. the previous year. The financial result also fell (-14.7%) to 47.9 million dollars. As a result of the above, the insurance

Chart 3.2.4-m
Ecuador: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

industry's net result fell -90.7% to 5.7 million dollars. Return on equity (ROE) fell 8.6 pp in 2020, to just 0.9%, while return on assets (ROA) was 0.3%, a 2.6 pp drop vs. the previous year (see Chart 3.2.4-m).

Insurance penetration, density and depth

Chart 3.2.4-n shows the key structural changes shaping the development of the Ecuadorian insurance industry between 2010 and 2020. First, the penetration rate (premiums/GDP) was 1.8% in 2020 (0.4% in Life and 1.3% in Non-Life), 0.1 pp more than the previous year. In the Life market, however, the penetration rate was significantly below the Latin American average in terms of both the current level and general trend. It should be noted that the penetration of the Non-Life business was closer to the Latin American average, although the trend shifted in 2015 and has been falling since then. In the last two years, however, the trend seems to have reversed, though it still remains far from the average for Latin America.

The density indicator (premiums per capita) stood at 96 dollars in 2020, down vs. the level reached in 2019 (103 dollars). Density in Ecuador showed an upward trend until 2014, but decreased for the next three years due to a reduction in premiums resulting from the country's general economic situation, though it once again began to grow in 2019 before the 2020 downturn.

Lastly, in terms of depth levels (Life insurance premiums in relation to total premiums), the indicator rose slowly over the last 10 years, and more rapidly since 2014, albeit still well below the average values of the wider region. In 2020, the index was 24.6%, up 0.5 pp on 2019. From a medium-term perspective, since 2010 the depth of the insurance market in Ecuador rose 8.3 pp.

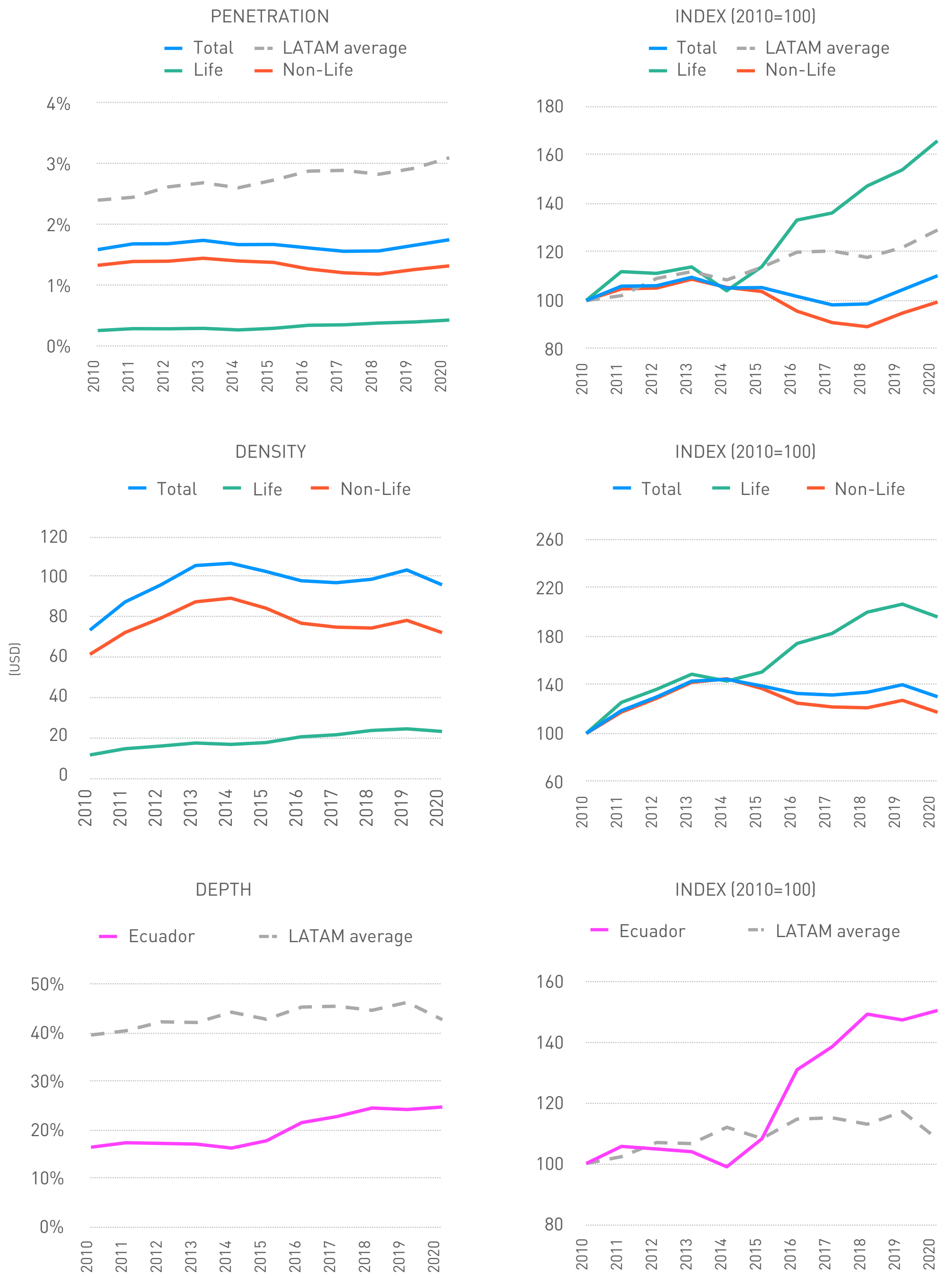
Estimation of the Insurance Protection Gap

Chart 3.2.4-o provides an updated estimate of the insurance protection gap for the Ecuadorian insurance market between 2010 and 2020. These data indicate that the IPG was 5.91 billion dollars in 2020. As with a significant number of Latin American insurance markets, the Life insurance segment is largely responsible for the structure and performance of the insurance gap in the 2010-2020 period. At year end 2020, 59.6% of the IPG was attributable to the contribution of the Life segment (3.52 billion dollars), 9.5 pp less than the share in 2010; the remaining 40.4% of the IPG was attributable to the Non-Life segment (2.39 billion dollars). Thus, as at year end 2020 the potential insurance market (measured as the actual market plus the IPG) was estimated at 7.6 billion dollars, 4.5 times the total insurance market in Ecuador that year (see Chart 3.2.4-p).

Charts 3.2.4-q and 3.2.4-r provide an estimate of the IPG as a multiple of the actual insurance market in Ecuador for the 2010-2020 period, as well as a relative comparison of both years. As can be seen in the chart, the gap for the Life insurance segment shows a downward trend throughout the period under analysis (falling from 17.5 to 8.4 times), while for the Non-Life segment there was a downward trend until 2013 when it began to rise again, reaching 1.9 in 2020.

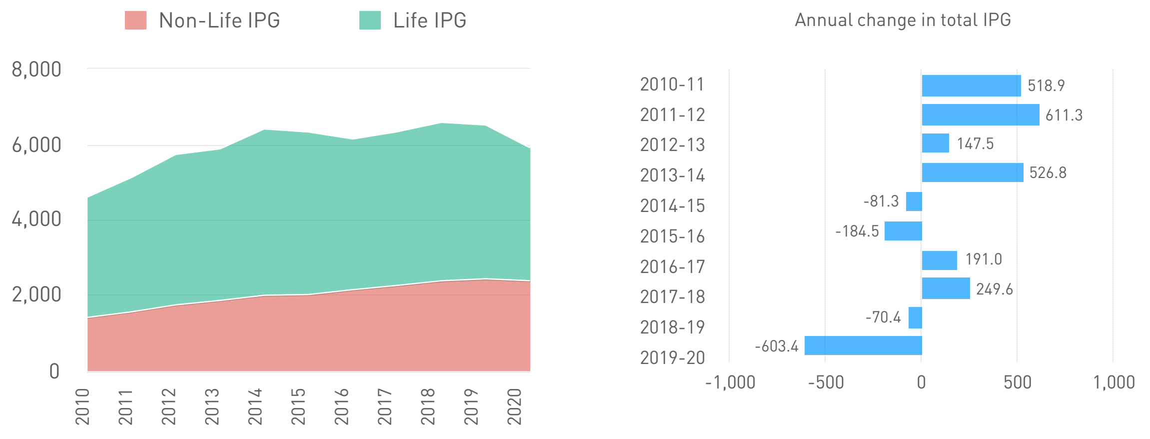
Chart 3.2.4-s provides an update to the assessment made in terms of the Ecuadorian insurance market's capacity to bridge the IPG estimated in 2020, using a comparative analysis between the growth rates observed over the last 10 years and the growth rates needed to close the gap over the next decade.

Chart 3.2.4-n
Ecuador: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Chart 3.2.4-o
Ecuador: Insurance Protection Gap
(millions of USD)



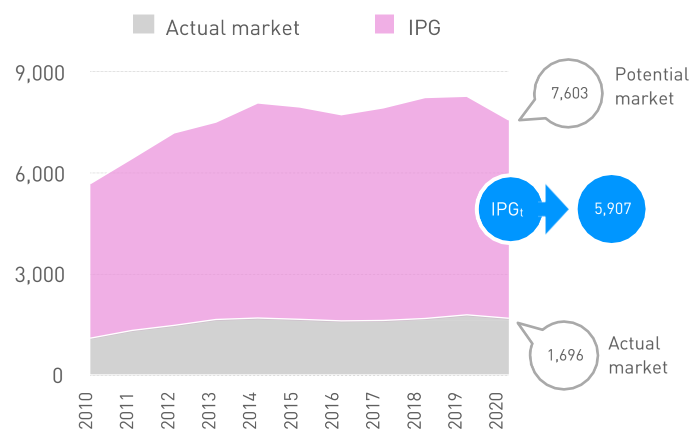
Source: MAPFRE Economics

The Ecuadorian insurance market grew at an average annual rate of 4.4%; the Life insurance market grew at an average annual rate of 8.7% and the Non-Life segment grew at an average annual rate of 3.3%. Were the same growth rate seen over the last 10 years to continue over the next 10 years, the growth rate of the Ecuadorian insurance market would fall -11.8 pp short of covering the IPG in that period. The growth rate for the Life segment would fall -16.4 pp short of bridging the insurance gap, while the growth rate for Non-Life insurance would fall -7.8 pp short. These values are slightly higher than those registered in 2019.

Market Development Index (MDI)

Chart 3.2.4-t shows the performance of the Market Development Index (MDI) for the Ecuadorian insurance industry.

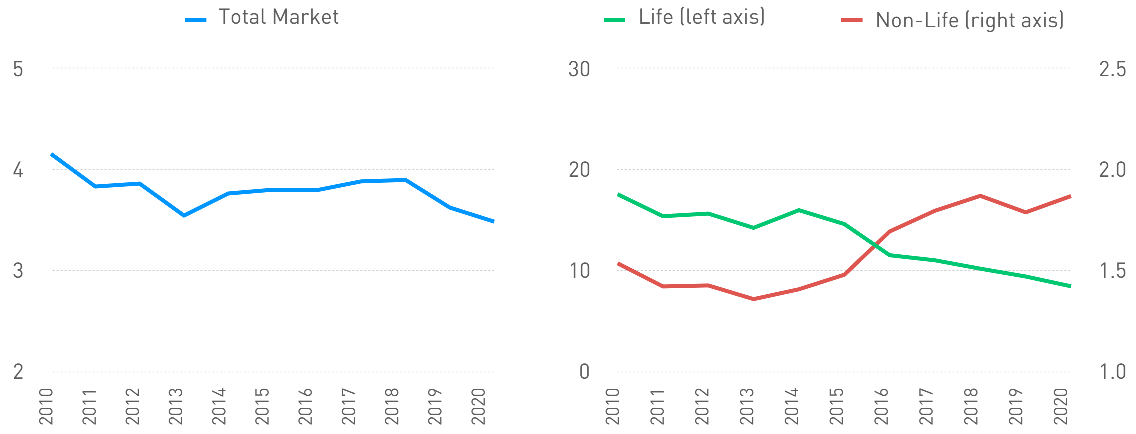
Chart 3.2.4-p
Ecuador: Insurance Protection Gap and Potential Market
(millions of USD)



Variation	Actual market	IPG
2020-2010	53.1%	28.4%
2020-2019	-5.6%	-9.3%

Source: MAPFRE Economics

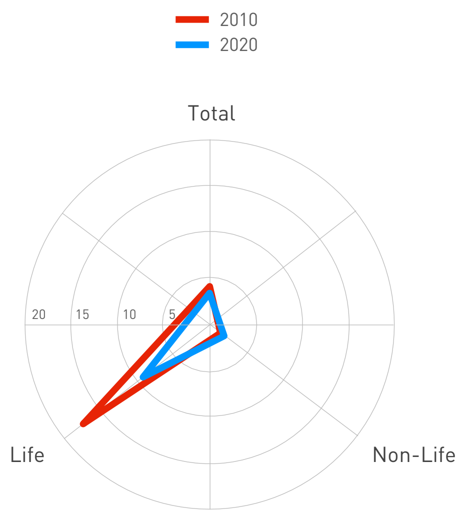
Chart 3.2.4-q
Ecuador: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

The data generally confirm that the market development indicator consistently followed the average for Latin American insurance markets in the 2005-2020 period, with significant gains from 2015 on.

Chart 3.2.4-r
Ecuador: Changes in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Comparative analysis of structural coefficients

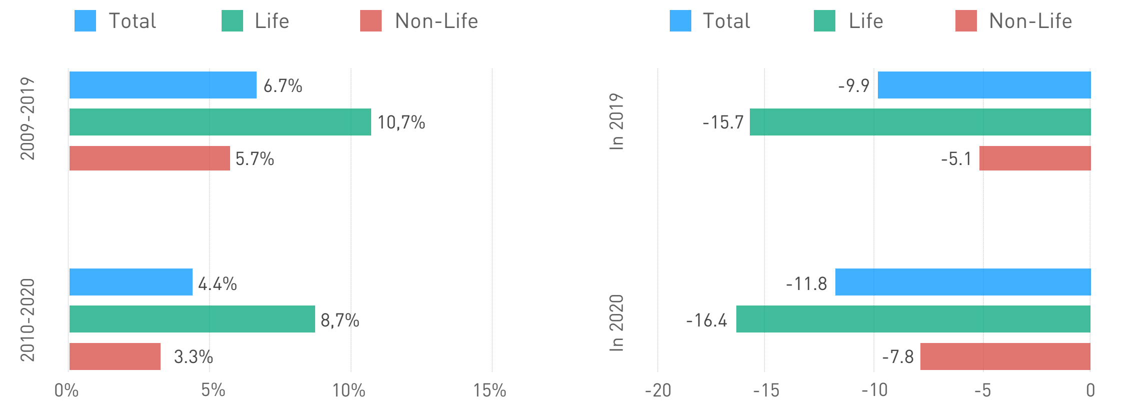
Chart 3.2.4-u outlines the state of the insurance market in Ecuador in 2020, when compared to the average for Latin America, measured in terms of the structural indicators analyzed. In this sense, the Ecuadorian market remains below the average for the wider region in all dimensions except for the market development index, which is close to the regional average. Furthermore, the dispersion analysis shown in the aforementioned chart confirms that, over the 2010-2020 period, the Ecuadorian insurance industry showed relatively balanced development, with slight gains both in terms of penetration and depth, although these gains were concentrated only in the former of those indicators in 2020.

Insurance Market Rankings

Overall ranking

In 2020, 30 insurance companies were operating in the Ecuadorian insurance industry. The top five institutions (CR5) accounted for 48.2% of total premiums, recording a decrease in concentration compared to 2019, which affected both Life and Non-Life insurance.

Chart 3.2.4-s
Ecuador: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)

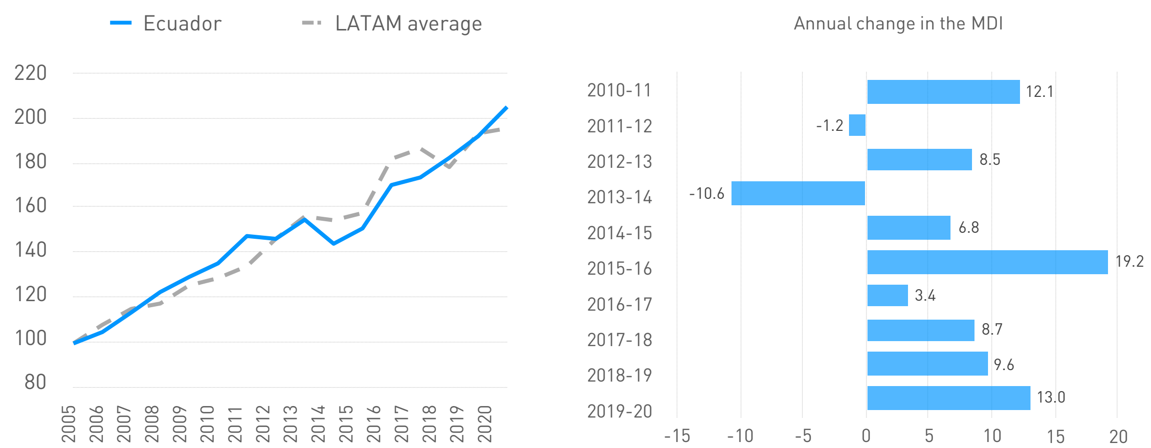


Source: MAPFRE Economics

The Ecuadorian market has generally seen an upward trend in concentration levels over the last decade, with a slight dip in 2020. This can be seen in Chart 3.2.4-v, which shows the performance of the Herfindahl and CR5 indices. However, the Herfindahl index remained below the moderate concentration threshold.

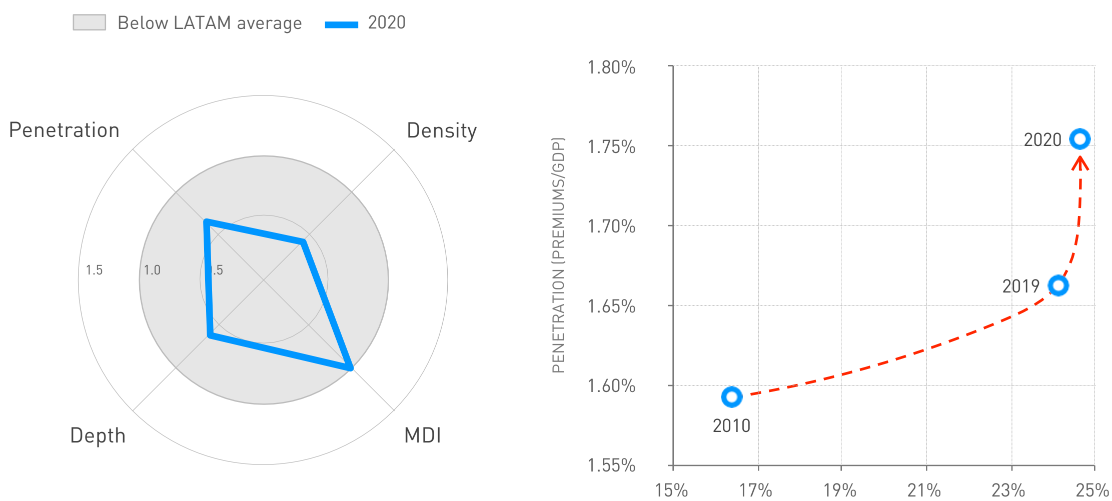
The 2020 overall insurance group ranking for the Ecuadorian market, which is shown in Chart 3.2.4-w, was led by the state-owned company Seguros Sucre, with a market share of 16.7%, down 1.4 pp compared to the previous year. Chubb remained in second place with a 9.0% market share, followed by Pichincha, which overtook Equinoccial by one place. Equivida overtook Zurich to take sixth place and Hispana and Ecuatoriana Suiza climbed one place each to ninth and tenth, respectively.

Chart 3.2.4-t
Ecuador: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.4-u
Ecuador: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



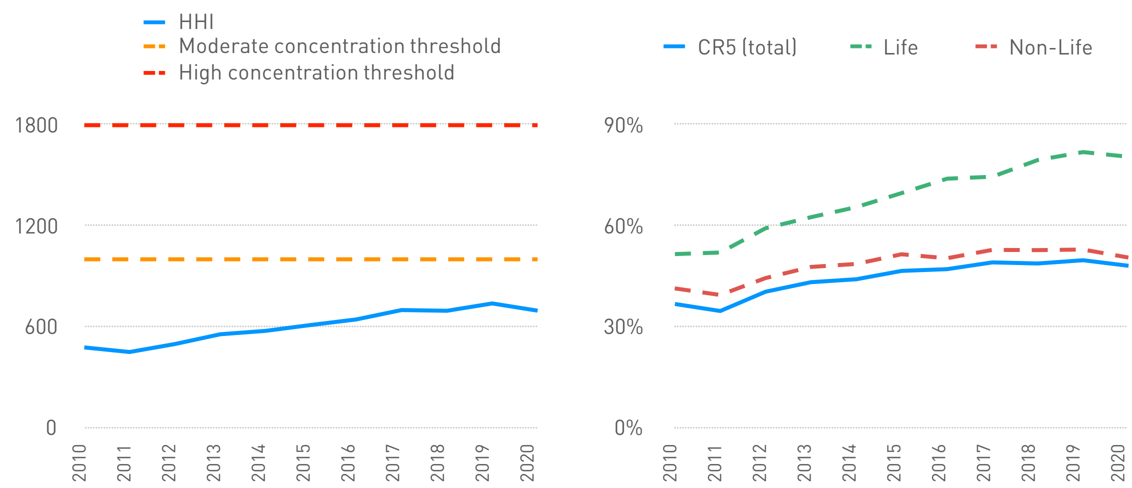
Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Non-Life and Life rankings

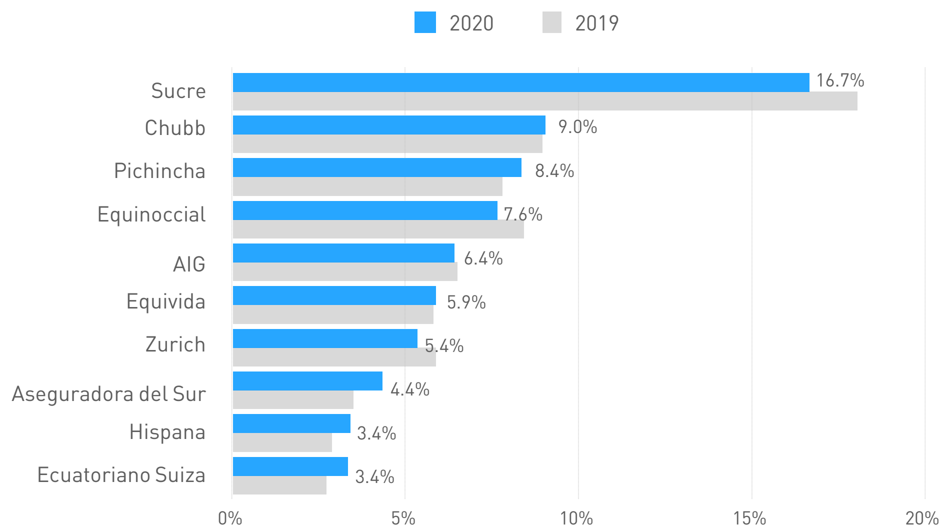
Seguros Sucre continued to lead the Non-Life ranking with a market share of 18.5%, 0.1 pp less than in 2019. Equinoccial (10%) and Chubb (8.5%) stayed in the same places as in 2019, followed by Zurich (7.1%) and AIG (6.3%). MAPFRE went from seventh place to ninth, with Hispana taking its place. The rise of Ecuatoriano Suiza from tenth to eighth.

Chart 3.2.4-v
Ecuador: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

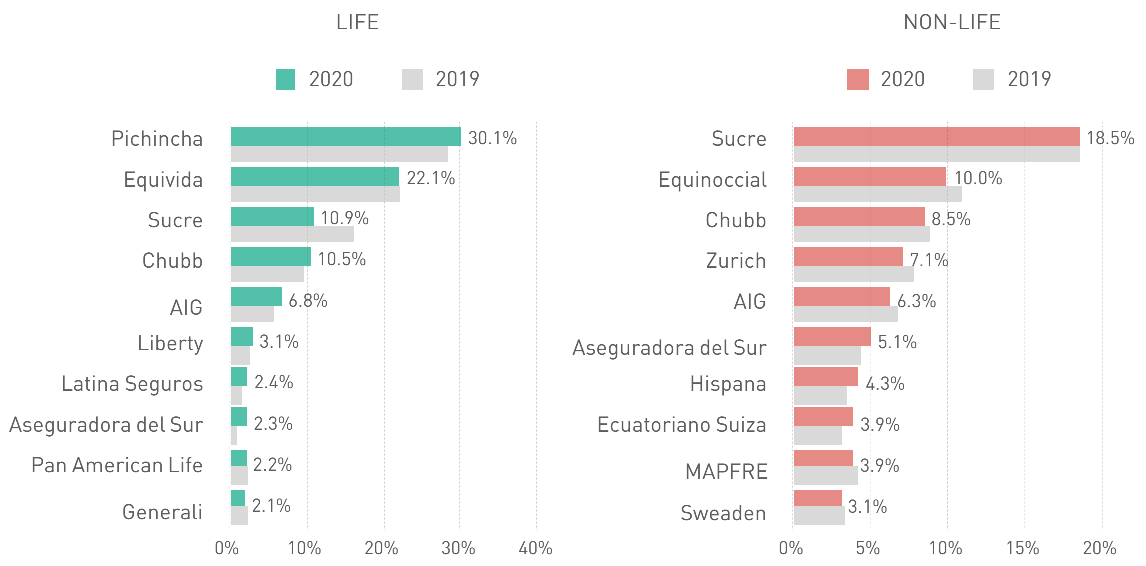
Chart 3.2.4-w
Ecuador: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Lastly, the 2020 Life ranking continued to be led by Pichincha, with a market share of 30.1%, 1.7 pp more than the previous year, followed by Equivida (22.1%), Sucre (10.9%), Chubb (10.5%), AIG (6.8%), and Liberty (3.1%), which held the same position as in 2019. The rise of Aseguradora del Sur from fourteenth to eighth place with a market share of 2.3% was particularly noteworthy (see Chart 3.2.4-x).

Chart 3.2.4-x
Ecuador: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

Key Regulatory Aspects

The key provisions and regulations issued in 2020 affecting the insurance industry in the Ecuadorian market are indicated below:

Issued by the National Assembly of Ecuador

- Organic Law on Humanitarian Support to Fight the COVID-19 Health Crisis (Official Register 229 Endorsement, June 22, 2020), establishing humanitarian support measures needed to address the consequences arising from the health crisis caused by COVID-19 via measures to mitigate adverse effects in Ecuadorian territory fostering economic and production reactivation within the country with special emphasis on human beings, containing and reactivating family, corporate, popular, and support economies, applicable and mandatory throughout the national territory both in public and private institutions and to any natural and legal persons therein.

  In the case of the insurance industry, with the prohibition of canceling health insurance policies and suspending coverage due to non-payment of medical care insurance bills or prepaid health contracts if users or insured parties have three unpaid bills for the duration of the health emergency, agreements must be made on said unmade payments to prorate them. Similarly, for life insurance, property and casualty insurance, and bond insurance under the public scheme, unpaid bills must come due six months later, provided insured parties justify an inability to work as a result of the public calamity.

Issued by the President

- General Regulation of the Organic Law on Humanitarian Support to Fight the COVID-19 Health Crisis (Official Register 303 Endorsement, October 5, 2020), an instrument aimed at developing and the application of the Organic Law on Humanitarian Support to Fight the COVID-19 Health Crisis applicable to public and private individuals and legal entities according to their powers. In the case of insurance and prepaid healthcare companies, it prohibits canceling or suspending contract coverage for the duration of the state of emergency declared due to the health crisis and establishes a requirement to prorate unpaid bills using payment institutions, contract conditions, and financing conditions mutually agreed to by the parties within the term of the contract. Due dates for unpaid life insurance, property and casualty insurance, and bond insurance bills issued under the National Public Insurance System must come due six months later, provided insured parties justify an inability to work as a result of the health crisis.

Issued by the Monetary and Financial Policy and Regulation Board

- Resolution No. 578-2020-S issued on May 18, 2020, overhauling the accounting standards on handling gross written premiums (Chapter V, Title III "On the Monitoring, Control, and Reporting of the Private Insurance System"; Book III "Private Insurance System" of the Monetary, Financial, Securities, and Insurance Resolutions Code), which, considering the risk management standard for insurance and reinsurance companies, includes credit risk management and sets out provisions where non-compliance levels are determined for debtors of premiums, reinsurance, and other debtors, requires that the operational and financial structure of insurance and reinsurance companies be strengthened in terms of the purpose and nature of their business, essentially to achieve stability and soundness.

- Resolution 579-2020-S issued on May 18, 2020, establishing a temporary reform of the standard on segments and mandatory investment percentage ceilings (Chapter VII, Title III "On Private Insurance System Monitoring, Control, and Reporting," Book III "Private Insurance System" of the Monetary, Financial, Securities, and Insurance Resolutions Code), which establishes that with the State of Health Emergency declared by the ministry throughout the country with travel restrictions in place to stop transmission of COVID-19 and prevent potential mass transmission throughout the population, and also due to the express prohibition for all health insurance companies and prepaid medical care companies to limit coverage to ensure proper assessment, attention, and treatment of users and patients affected by COVID-19, the Board observed that the country's economy performed unusually, which may negatively affect liquidity requirements for insurance and reinsurance companies, so special temporary measures are required for the duration of the health crisis to protect the solvency of the private insurance system and guarantee the liquidity of companies and their ability to compensate insured parties properly and promptly.

- Resolution No. 622-2020-S issued on December 21, 2020, overhauling the standards on reinsurance and retrocessions (Chapter XIV, Title II "On the Constitution, Organization, Activity, and Functioning" of Book III "Private Insurance System" of the Monetary, Financial, Securities, and Insurance Resolutions Code issued by the Monetary and Financial Regulatory Policy Board), which sets the minimum general and specific conditions for automatic reinsurance and/or proportional, non-proportional, and optional retrocession contracts. Insurance companies must keep records of the reinsurance they take out. Insurance and reinsurance companies will have to submit automatic reinsurance contracts to the Superintendency of Companies, Securities, and Insurance to be registered within 90 days of entering into force. They will also be obligated to submit to the oversight authority, quarterly reporting of reinsurance statements of account, with confirmation from the reinsurer, and until December 31, the financial statements and any information on mandatory reinsurance contracts.

- Resolution No. 630-2020-S issued on December 23, 2020, overhauling the standard on maximum mandatory investment segments and percentages (Chapter VII, Title III "On the Monitoring, Control, and Reporting of the Private Insurance System," Book III "Private Insurance System" of the Monetary, Financial, Securities, and Insurance Resolutions Code). Resolution No. 5789-2020-S adds several temporary provisions required during the state of health emergency and after said state is concluded, pursuant to Superintendency of Companies, Securities, and Insurance reports in order safeguard the economic performance of the insurance industry and maintain its solvency and liquidity, special measures were required to allow them to compensate insured parties appropriately.

- Resolution No. 642-2020-S issued on December 31, 2020, overhauling the accounting standards on handling gross written premiums (Chapter V, Title III "On the Monitoring, Control, and Reporting of the Private Insurance System"; Book III "Private Insurance System" of the Monetary, Financial, Securities, and Insurance Resolutions Code). Resolution No. 578-2020-S was not considered the deferral timetable that insurance companies should follow in terms of deficient provisions due to the impairment of the portfolio and receivables, so the Board used reports issued by the Superintendency of Companies, Securities, and Insurance to issue measures replacing said timetable.

- Resolution No. 660-2021-S issued on May 14, 2021, establishing the standards for promoting and taking out insurance policies and comprehensive prepaid healthcare plans via alternative distribution channels, aimed at strengthening mechanisms and procedures to help modernize insurance offerings to cover risks for people, assets, and prepaid healthcare plans. This requires a regulatory framework to set out the scope of action, responsibilities, and obligations of insurance companies and the companies financing comprehensive prepaid healthcare services, also attempting to include companies from the financial system, individuals, and legal entities as alternative distribution channels to promote and market insurance and prepaid healthcare plans.

Issued by the Superintendency of Companies, Securities, and Insurance

- Resolution No. SCVS-INS-2020-0008, issued on June 4, 2020, which reformed regulations on the performance of activities by insurance product advisors, insurance appraisers, and reinsurance intermediaries. With the entry into force of the new Code of Commerce on May 29, 2019, the regulations required an overhaul to align and optimize the regulatory framework for insurance consultant, appraiser, and reinsurance intermediary activity in order to the market dynamic and its application vis-á-vis current legal provisions.

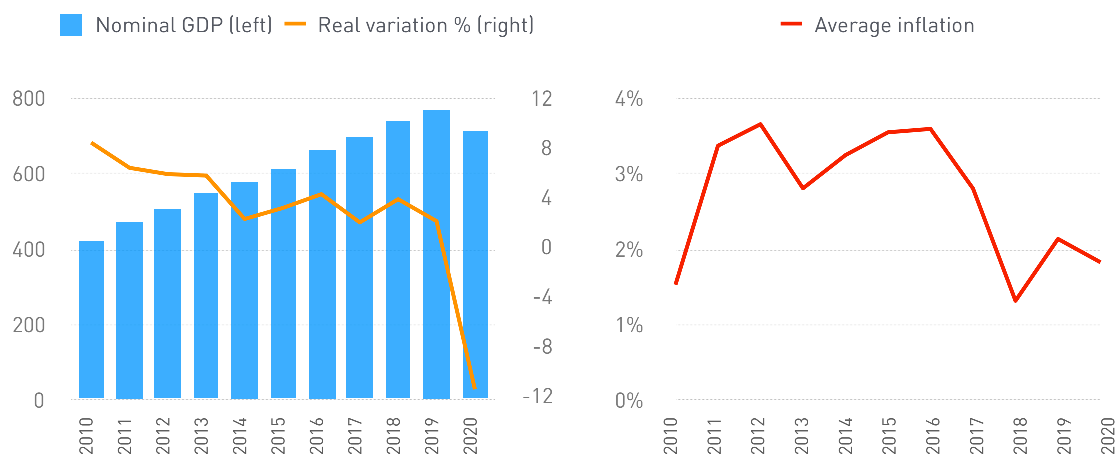
3.2.5 Peru

Macroeconomic Environment

The economy of Peru experienced one of the largest contractions in the world in 2020, around -11.1%, compared to 2.2% seen in 2019, due to the gravity of the effects of the COVID-19 pandemic, which hit the country especially hard (see Chart 3.2.5-a). Domestic demand plummeted due to decreased private consumption and the interruption of investment projects as a result of strict lockdowns. In addition to this, the economy was impacted by falling foreign demand, after a major downturn in world trade and the shutdown of tourism, combined with plummeting raw material prices. All of this caused significant job losses, leading to an unemployment rate estimated at 13.9% (6.6% in 2019).

The extensive payment packages for families and other fiscal measures adopted to mitigate the economic effects of the pandemic managed to assuage the recession to an extent, but the fiscal deficit increased substantially as a result of expanded spending and falling tax revenues, reaching 8.9% GDP (1.6% in 2019). This caused tax authorities to break their commitment

Chart 3.2.5-a
Peru: Changes in Economic Growth and Inflation
(GDP in local currency, billions of soles; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

moderating public spending, which was set to stay low until the deficit reached 1.0% in 2021. Public debt stood at 34.9% of GDP at year end (vs. 26.9% in 2019). On a positive note, the current account balance closed the year with a surplus of 0.7% of GDP, despite major outflows of foreign investment occurring at the worst time of the crisis. They have since reversed. Significant treasury bond issuance allowed for the accumulation of international reserves thanks to intervention from the Central Reserve Bank of Peru.

Inflation averaged 1.8% (2.1% in 2019). The central bank applied an ultra-accommodative monetary policy in an attempt to dampen the plummeting demand and insure liquidity by cutting the benchmark interest rate from 2.25% to 0.25% in April 2020, as well as flexibilizing cash requirements for banks, asset purchasing operations, and a guarantee program for the credit portfolio to stabilize the financial system. Inflation recovered moderately in the first half of 2021, allowing the central bank to keep the benchmark interest rate at 0.25% (a historical low). The exchange rate of the Peruvian sol against the dollar depreciated 4.8% on average compared to the previous year, to a lesser extent than the currencies of other major economies in the region.

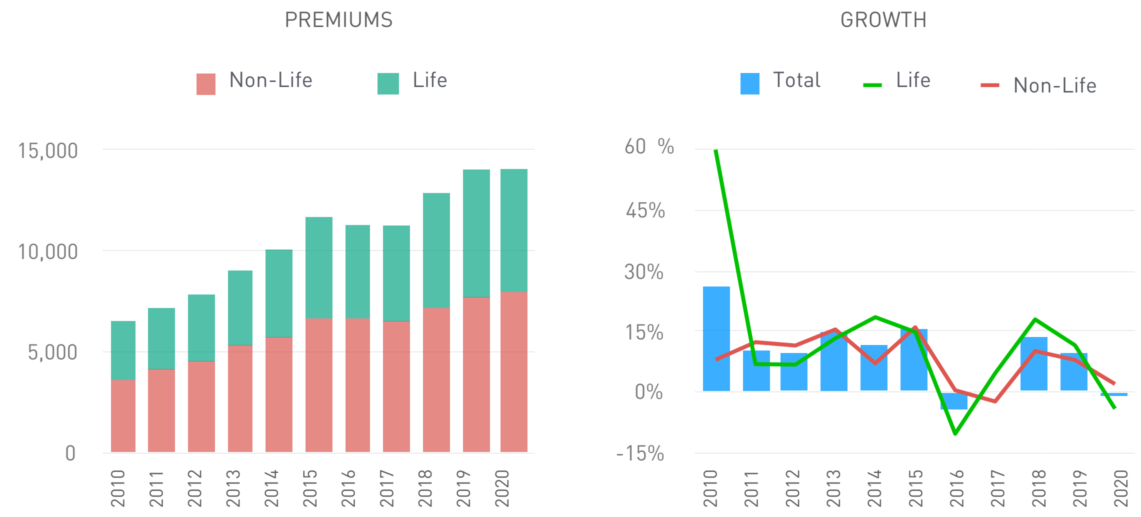
ECLAC forecasts the Peruvian economy will recover in 2021 with estimated growth of 10.6%, below yet close to pre-crisis levels. This growth will be based on the recovery of consumption and the reactivation of investment projects, as well as a recovery of exports, helped by increasing prices for metals and the opening of new copper mines.

Insurance Market

Growth

After several years of uninterrupted growth, reduced economic activity resulting from the COVID-19 pandemic influenced the performance of the Peruvian insurance industry, which closed 2020 with a premium volume of 14.02 billion soles (4.01 billion

Chart 3.2.5-b
Peru: Growth Developments in the Insurance Market
(premiums, millions of soles; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Table 3.2.5
Peru: Premium Volume[1] by Line, 2020

Line	Millions of soles	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**14,021**	**4,010**	**-0.7**	**-2.4**
Life	**6,091**	**1,742**	**-4.0**	**-5.8**
Individual Life	2,128	609	-6.8	-8.5
Group Life	2,030	581	4.7	2.8
Pensions	1,932	553	-9.0	-10.7
Non-Life	**7,931**	**2,268**	**2.1**	**0.3**
Auto	1,269	363	-12.8	-14.3
Fire and/or allied lines	1,816	519	12.1	10.1
Other lines	922	264	11.4	9.4
Health	1,333	381	8.7	6.7
Personal accident[2]	694	198	-8.2	-9.9
Transport	200	57	-0.8	-2.5
Third-party liability	350	100	13.8	11.8
Burial	128	37	-13.8	-15.4
Aviation	111	32	-7.4	-9.0
Multirisk	149	42	-23.8	-25.1
Sea - Hull	93	27	4.2	2.3
Credit and/or surety	432	123	13.9	11.9
Workplace accidents	436	125	-1.5	-3.3

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)
1/ Net insurance premiums
2/ Includes Mandatory Traffic Accident Insurance (SOAT, Seguro Obligatorio de Accidentes de Tránsito)

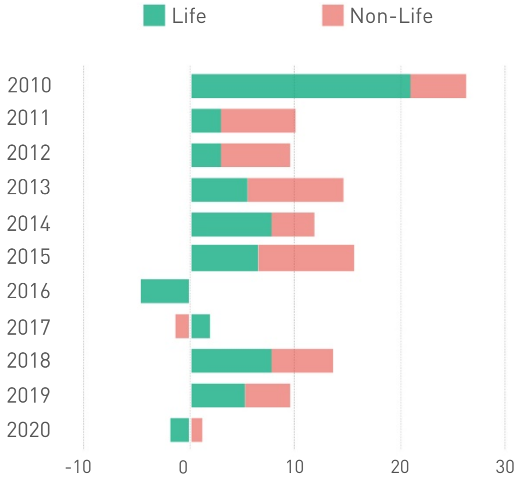
dollars), down -0.7% (-2.4% in real terms), the result of a -4.0% drop in nominal terms for Life insurance and a 2.1% rise in Non-Life lines. Q1 began with sales increases, but they began to fall in Q2 for both Life and Non-Life insurance, though the latter segment did recover at the end of the year, lessening the decline (see Chart 3.2.5-b and Table 3.2.5).

Life insurance grossed 6.10 billion soles, with nominal decreases in individual Life (-6.8%) and Pensions (-9.0%) and growth in group insurance (4.7%). Meanwhile, Non-Life insurance lines recorded a nominal growth in premiums of 2.1% (0.3% in real terms), reaching 7.93 billion soles (2.27 billion dollars). This positive performance occurred despite the drop in Auto insurance (-12.8%), which was offset by increases in Fire (12.1%) and Health (8.7%), given their significant premium volumes. Thus, the Life insurance segment accounted for -1.8 pp of the 0.7% nominal decrease reported by the insurance market in Peru in 2020, while the remaining 1.2 pp were attributable to the Non-Life segment (see Chart 3.2.5-c).

Balance Sheet and Shareholders' Equity

The performance of the aggregate balance sheet at sector level for the Peruvian insurance industry over the course of the period from 2010 to 2020 can be seen in Chart 3.2.5-d. Total insurance industry assets came to 60.1 billion soles (16.61 billion dollars) in 2020, while equity rose to 9.27 billion soles (2.56 billion dollars), up 6.4% on the previous year. Thus, aggregate

Chart 3.2.5-c
Peru: Contribution to Insurance Market Growth
(percentage points, pp)



	Growth annual (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	26.2	20.9	5.3
2011	10.1	3.1	7.0
2012	9.6	3.0	6.7
2013	14.7	5.6	9.1
2014	12.0	7.7	4.2
2015	15.7	6.6	9.1
2016	-4.2	-4.5	0.3
2017	0.6	1.9	-1.3
2018	13.6	7.7	5.9
2019	9.7	5.2	4.5
2020	-0.7	-1.8	1.2

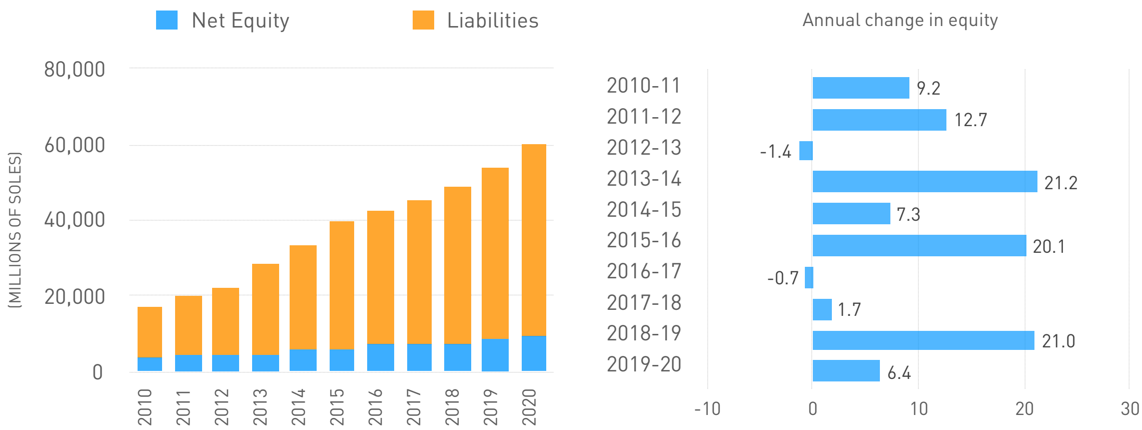
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

capitalization levels in the Peruvian insurance industry (measured over total assets) have gradually declined from 21.7% in 2010 to 15.4% in 2020.

Investments

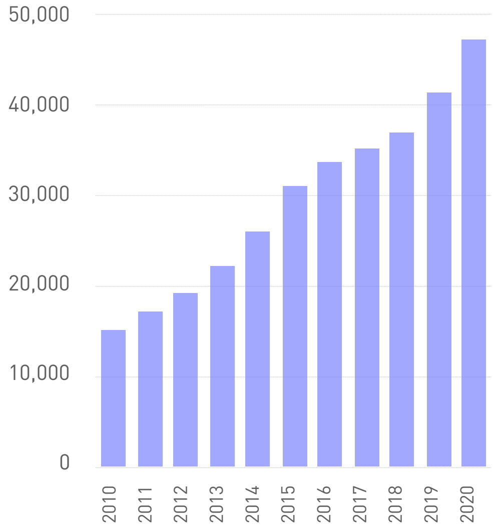
Charts 3.2.5-e, 3.2.5-f, and 3.2-g show the performance of investments over the 2010-2020 period, as well as the composition of the aggregate portfolio for the Peruvian insurance industry Peruvian insurance industry in that period. These data indicate that investments amounted to 47.17 billion soles (13.04 billion dollars) in 2020, primarily focused on fixed-income and equity securities. Investment composition was as follows in 2020: 86.6% debt and equity, 6.7% cash and cash equivalents, and the remaining 6.7% real estate investments.

Chart 3.2.5-d
Peru: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-e
Peru: Insurance Market Investments
(millions of soles)

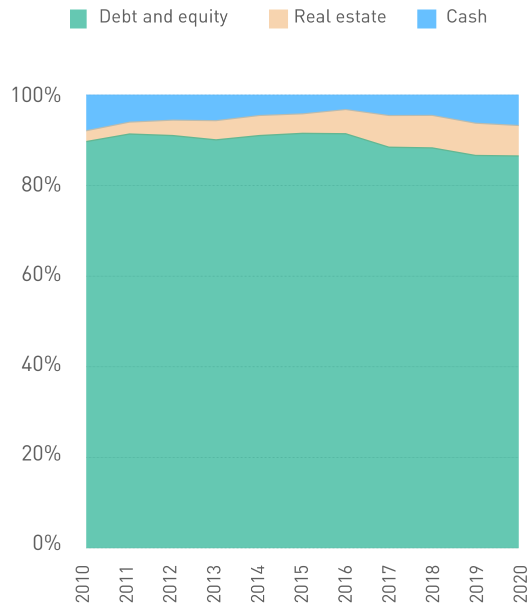


Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Technical provisions

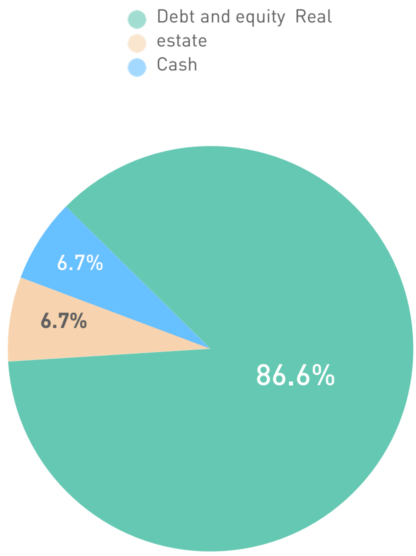
Charts 3.2.5-h, 3.2.5-i, and 3.2.5-j show the performance and relative composition of technical provisions over the 2010-2020 period. These data indicate that technical provisions amounted to 44.31 billion soles (12.25 billion dollars) in 2020; 74.9% of the total corresponded to Life insurance, 18.0% to the provision for outstanding claims, and the remaining 6.9% to the provision for unearned premiums and unexpired Non-Life insurance risks. As indicated in previous versions of this report, the volume of technical provisions significantly increased in absolute values in recent years, in both the Life and Non-Life insurance segments. The composition of aggregate provisions remained relatively stable until 2013, when the proportion corresponding to Life insurance fell slightly from around 80% to close to 76%. At year end 2020 it represented 74.9% of total provisions.

Chart 3.2.5-f
Peru: Structure of Investments
(%)



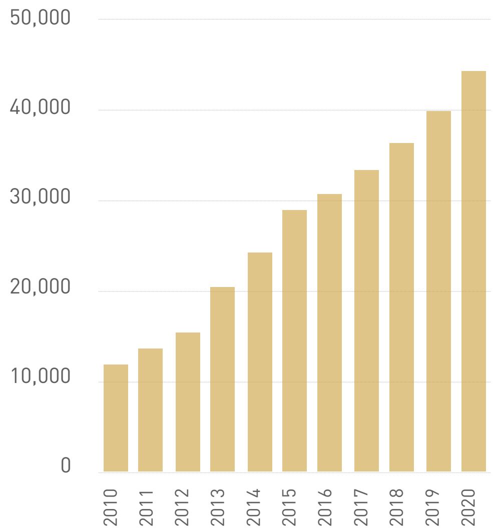
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-g
Peru: Structure of Investment, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-h
Peru: Technical Provisions of the Insurance Market
(millions of soles)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

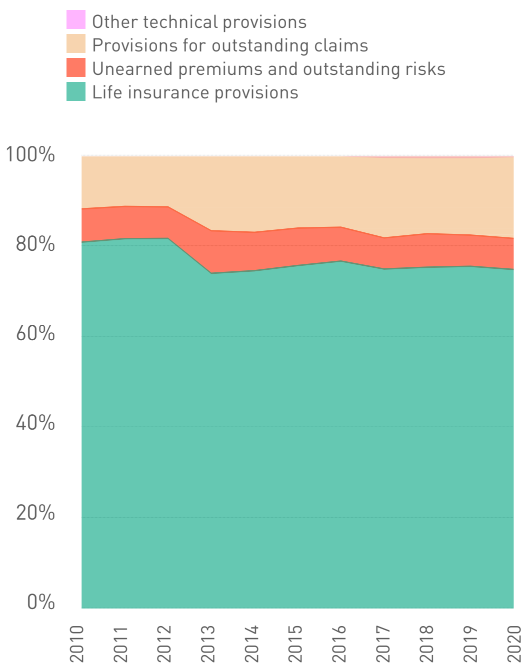
Technical performance

The technical performance of the Peruvian insurance industry between 2010 and 2020 can be seen in Chart 3.2.5-k. In 2020, the loss ratio rose 3.3 pp vs. the previous year to 62.7%, while the expense ratio fell -0.8 pp to 56.5% in the same period. The total combined ratio therefore stood at 119.2% in 2020, an increase of 2.5 pp compared to the previous year.

Results and Profitability

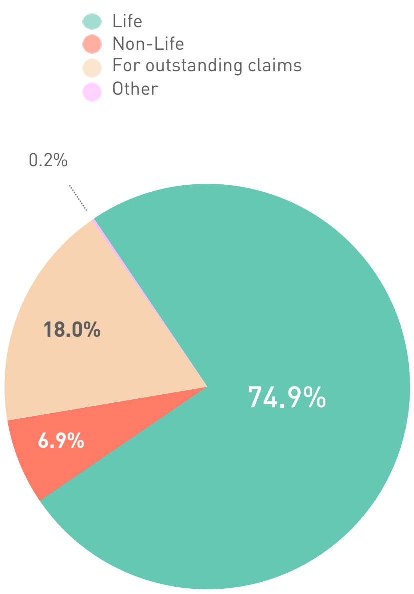
The net result for 2020 was 1.08 billion soles (310 million dollars), down 28.6% from the previous year. The technical result remained negative, in line with the results of the last decade, and the financial result fell -5.1% vs. 2019. Return on equity (ROE) was 11.7% in

Chart 3.2.5-i
Peru: Structure of Technical Provisions
(%)



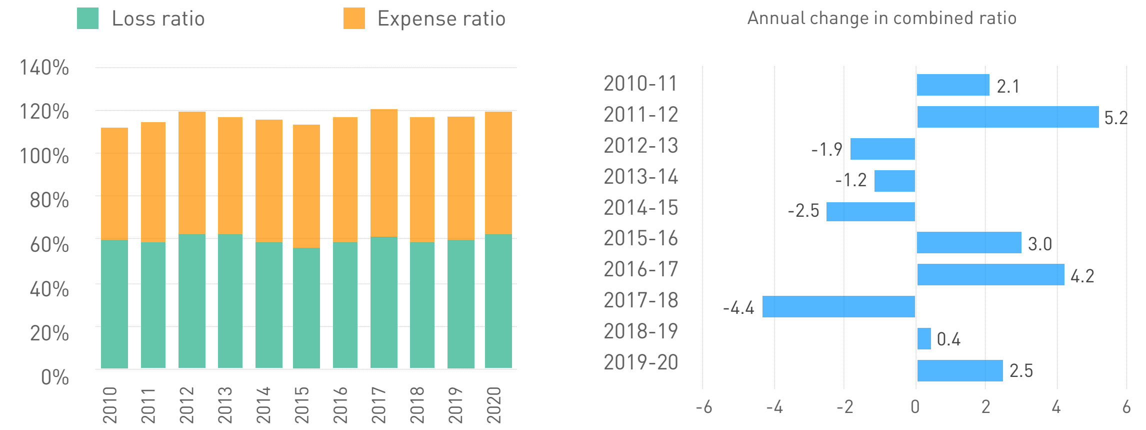
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-j
Peru: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-k
Peru: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



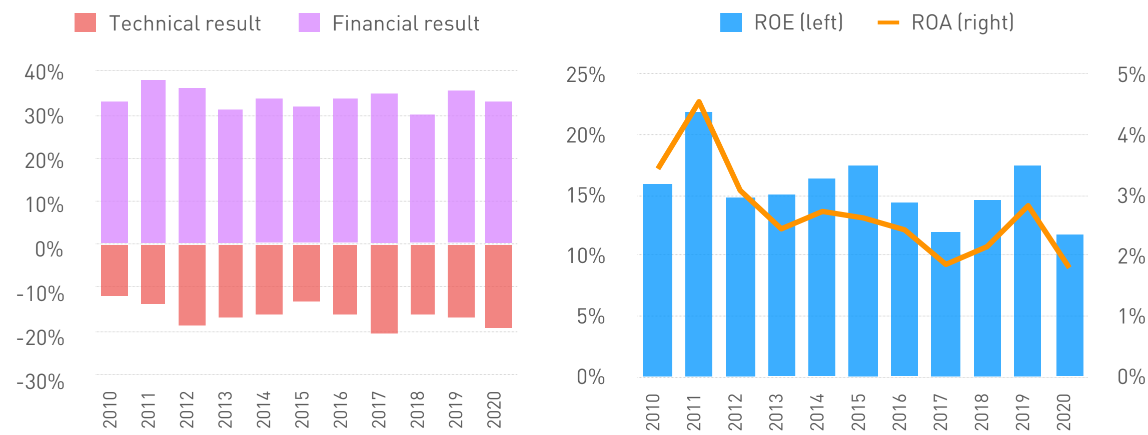
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

2020, a shift of 5.7 pp compared to the previous year. Return on assets (ROA) reached 1.8% in 2020, down -1 pp vs. 2019 (see Chart 3.2.5-l).

Insurance penetration, density and depth

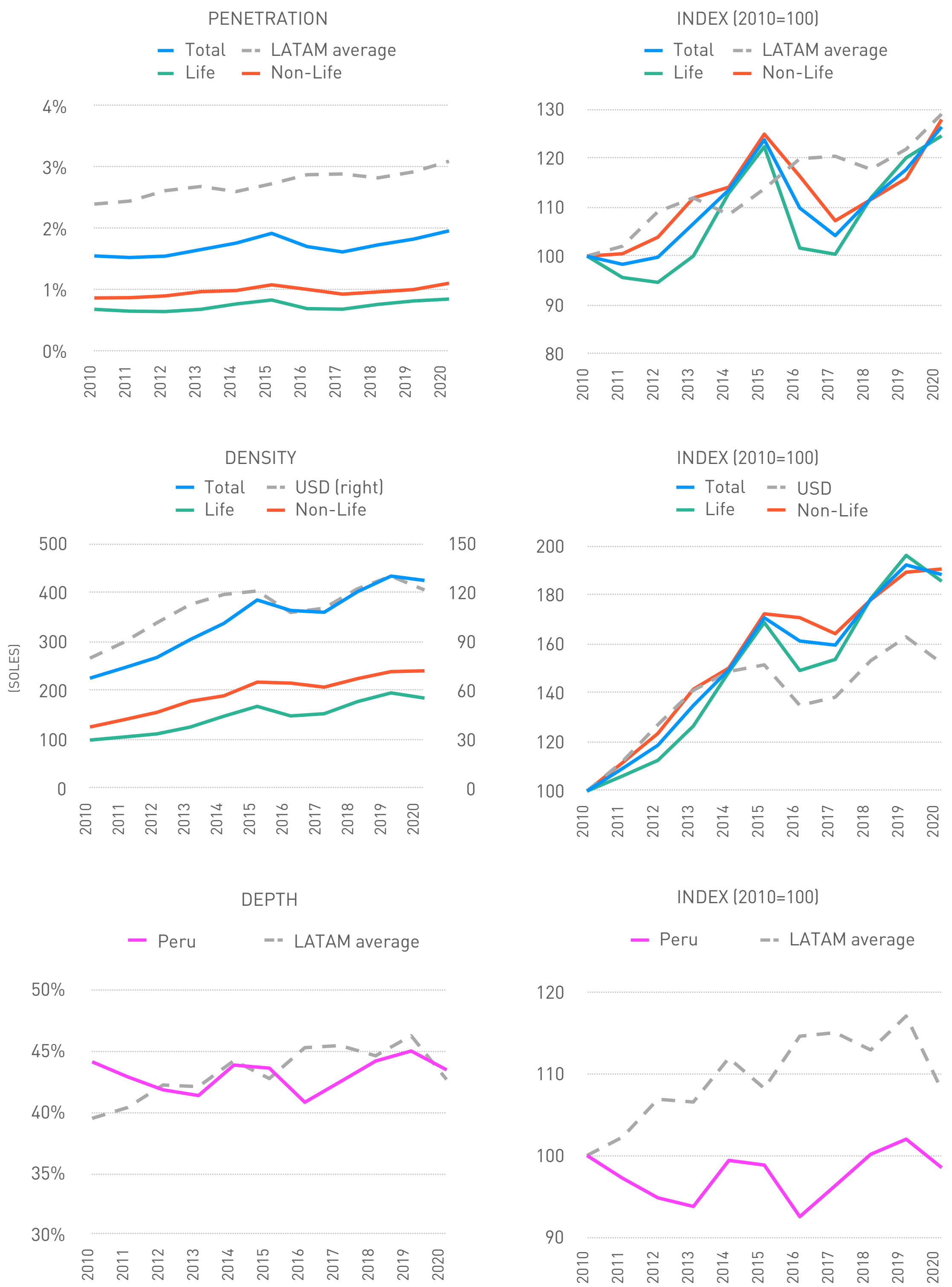
The main structural trends in the Peruvian insurance industry over the course of the 2010-2020 period are shown in Chart 3.2.5-m. The penetration rate (premiums/GDP) for the Peruvian market was 2.0% in 2020, i.e., 0.4 pp higher than in 2010 and 0.2 pp more than in 2019, thereby maintaining the indicator recovery trend that began in 2018. In a medium-term analysis, the penetration rate in the Peruvian market followed an upward trend over the course of the period analyzed, although it remained under the absolute average values for the markets in the region.

Chart 3.2.5-l
Peru: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-m
Peru: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, soles and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Meanwhile, insurance density in Peru (premiums per capita) stood at 425 soles (122 dollars), -2.0% lower than in 2019. Peruvian market density (measured in local currency) went up until 2015, when it began to fall slightly, a trend that reversed in 2018 and then dropped again in 2020.

Insurance depth (Life insurance premiums to total premiums) came to 43.4%, down -0.7 pp from 2010 and -1.5 pp lower than the previous year. The depth indicator for the Peruvian insurance market has fluctuated around the average values of the regional markets over the past decade. The downturn seen in 2020 is a consequence of the crisis caused by the COVID-19 pandemic and Life insurance in this market was particularly affected.

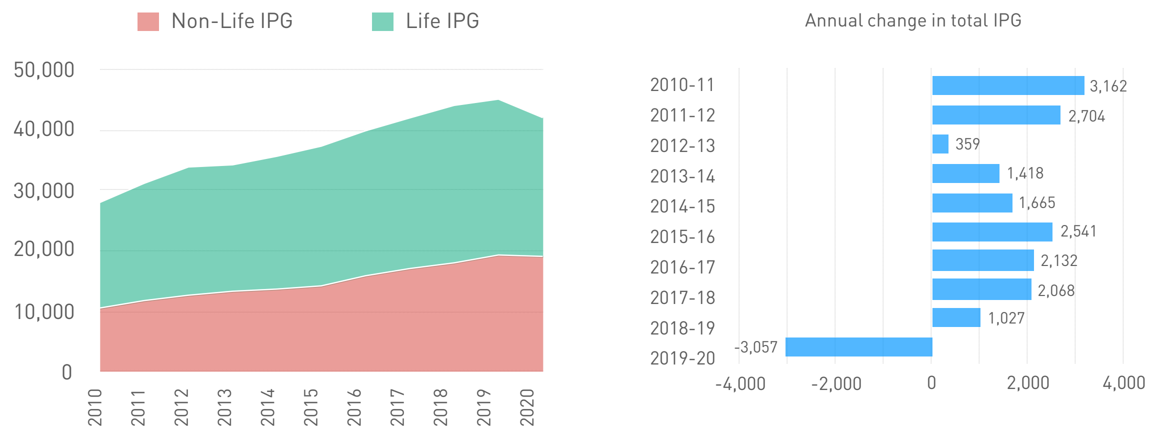
Estimation of the Insurance Protection Gap

Chart 3.2.5-n provides an updated estimate of the insurance gap for the Peruvian insurance market between 2010 and 2020. In this sense, the was 42 billion soles in 2020, 3 times the Peruvian insurance market at year end 2020. The structure and performance of the IPG over the period analyzed are largely attributable to the Life insurance segment, though its influence has been falling at a higher rate than Non-Life insurance. At year end 2020, 54.6% of the insurance gap was attributable to Life insurance (22.91 billion soles), down -7.8 pp from 2010. Meanwhile, the remaining 45.4% of the IPG in 2020 was attributable to the Non-Life insurance segment (19.09 billion soles).

The potential insurance market in Peru (the sum of the actual market plus the insurance gap) was estimated at 56 billion soles in 2020, four times the total insurance market that year (see Chart 3.2.5-o).

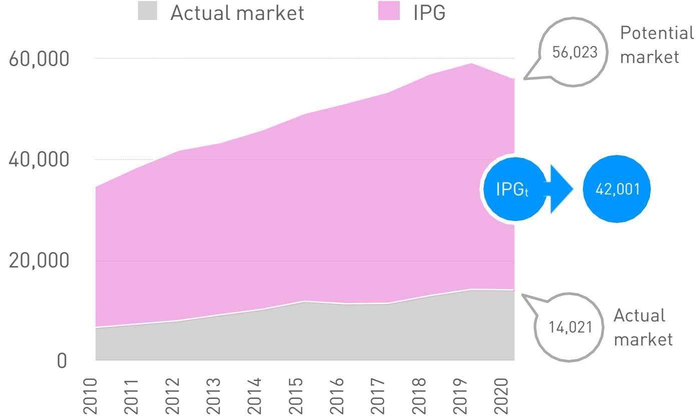
Chart 3.2.5-p provides an estimation of the insurance gap as a multiple of the actual insurance market in Peru. As indicated in the chart, the IPG as a multiple of the market showed a sustained downward trend between 2010 and 2020, changing direction in 2016 and 2017 before correcting itself again in 2018. In the case of the Life insurance segment, the IPG as a multiple of the relative market dropped

Chart 3.2.5-n
Peru: Insurance Protection Gap
(millions of soles)



Source: MAPFRE Economics

Chart 3.2.5-o
Peru: Insurance Protection Gap and Potential Market
(millions of soles)



Variation	Actual market	IPG
2020-2010	114.0%	50.1%
2020-2019	-0.7%	-6.8%

Source: MAPFRE Economics

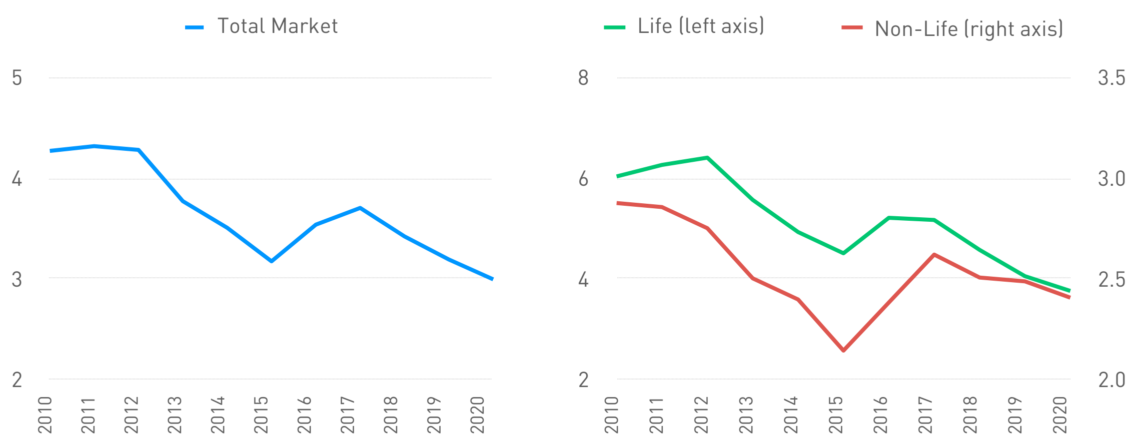
from 6 to 3.8 times in the last decade, while it fell from 2.9 to 2.4 times in the Non-Life insurance segment.

Complementing this analysis, Chart 3.2.5-q shows changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Peruvian insurance market, comparing the situation in 2010 with that of 2020. The situation improved over this period in both the Non-Life line and, to a greater extent, the Life line.

Chart 3.2.5-r provides a summary update on the evaluation done on the Peruvian insurance market's capacity to close the insurance gap estimated in 2020, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap estimated in 2020 over the next 10 years.

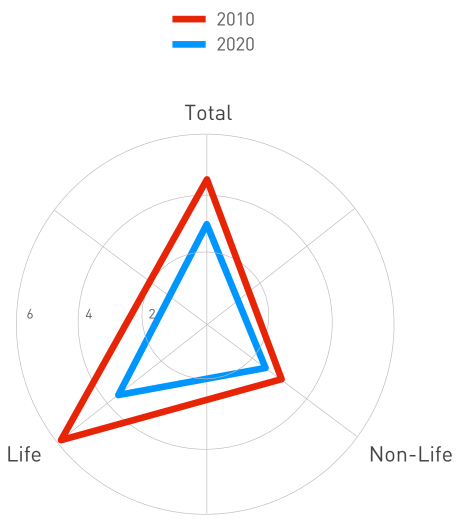
The Peruvian insurance market grew in the 2010-2020 period at an average annual rate

Chart 3.2.5-p
Peru: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.2.5-q
Peru: Changes in IPG
as a Multiple of the Actual Market



Source: MAPFRE Economics

average of 7.9%, which was comprised of a 7.7% annual growth rate in the Life insurance segment and an 8.0% average annual rate for Non-Life insurance. Thus, were the same growth seen over the last 10 years to continue for the next 10 years, the insurance market growth rate would be insurance gap in the -9.1 pp short of closing the Life segment estimated in 2020 and -5.0 pp short for the Non-Life segment; these levels of insufficiency indicate a loss vs. 2019.

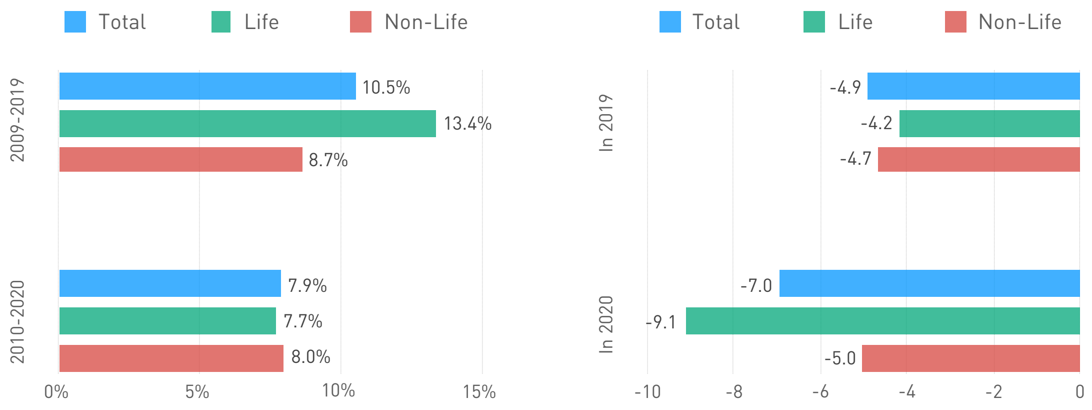
Market Development Index (MDI)

Chart 3.2.5-s provides an estimation of the Market Development Index (MDI) for the Peruvian insurance industry. The indicator, used to analyze the overall trend in development and maturity of the insurance market, showed a positive trend throughout the 2010-2020 period, after shrinking in 2011, 2012, 2016, and 2017. However, the indicator began to increase once again in the last three years, recovering the average trend observed in Latin American insurance markets.

Comparative analysis of structural coefficients

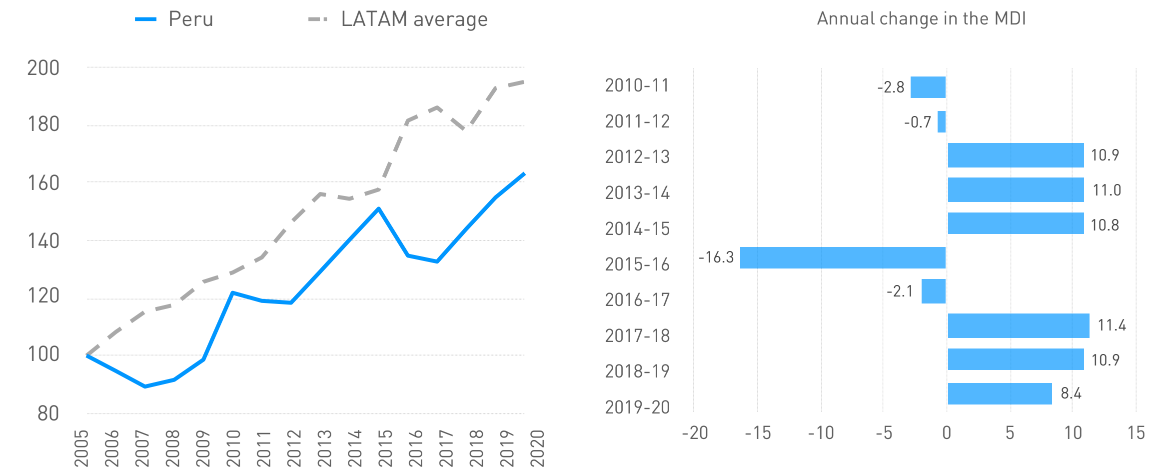
Chart 3.2.5-t shows the Peruvian insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed in this report. These data show that the Peruvian insurance market is below the regional average in all aspects, except for depth, where it is practically in line with the average for the wider region. Said chart shows a dispersion analysis

Chart 3.2.5-r
Peru: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

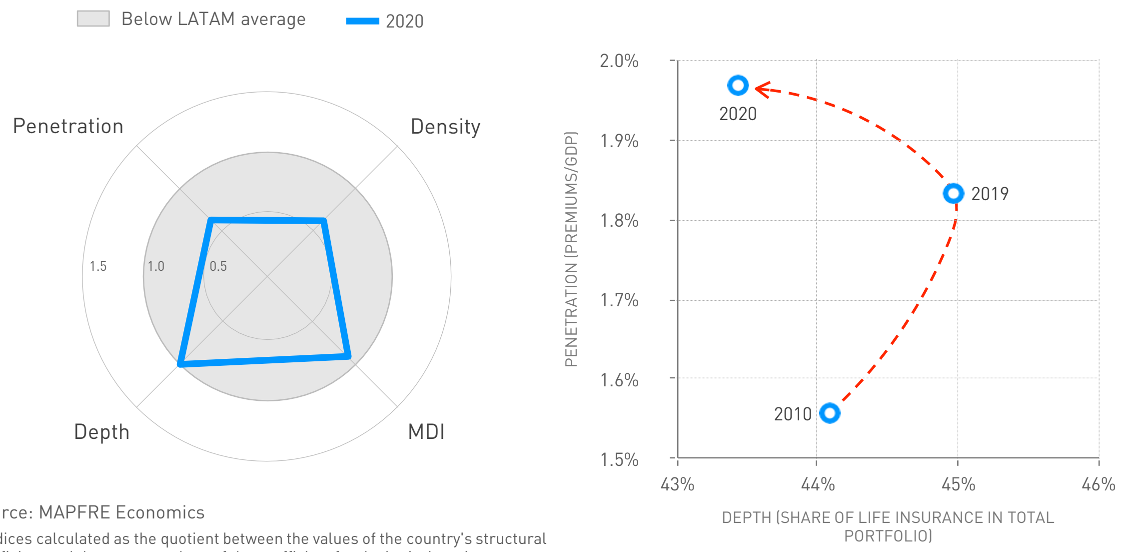
Chart 3.2.5-s
Peru: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

to identify the development trend of the Latin American insurance market over the course of the last decade, based on the evolution of penetration rates (as an indicator of quantitative growth of this activity) and of insurance depth rates (as a proxy for the level of maturity in market development). The dispersion analysis confirmed that the Peruvian insurance industry, in general terms, had a balanced, consistently positive development

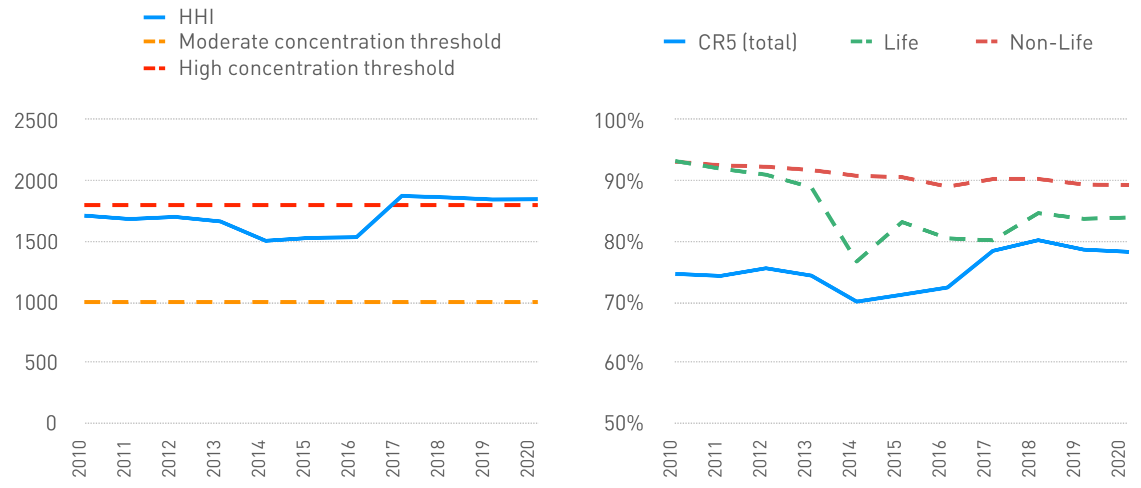
Chart 3.2.5-t
Peru: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.2.5-u
Peru: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

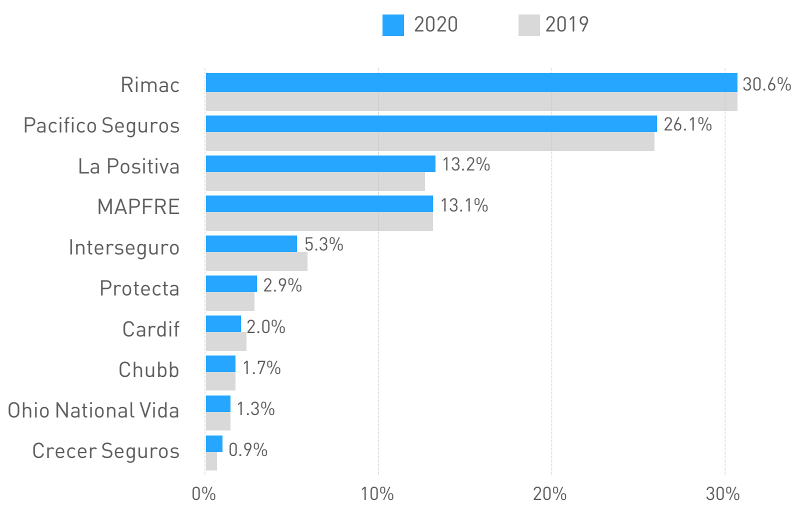
over the course of the 2010-2019 period, however, although penetration was on the rise in 2020, the depth level dropped due to the greater impact of the crisis on the Life business, as occurred throughout Latin America and the Caribbean.

Insurance Market Rankings

Overall ranking

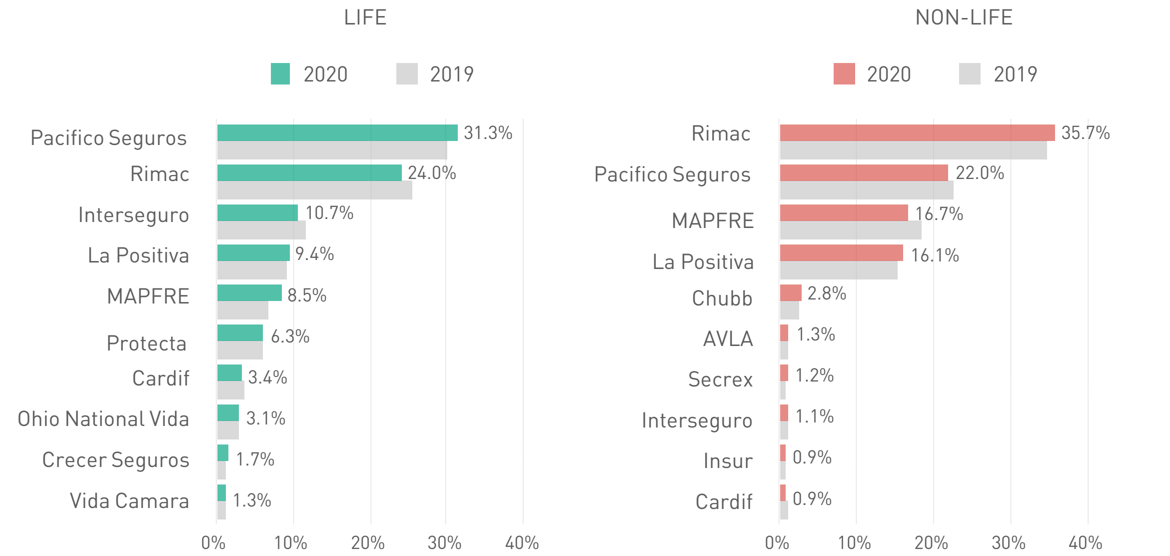
There were 18 companies operating in the insurance industry at year end 2020, of which four were dedicated exclusively to Life lines, seven to property and casualty lines, and seven to both. Market concentration is relatively high

Chart 3.2.5-v
Peru: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

Chart 3.2.5-w
Peru: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)

and, although it showed a downward trend up until 2016, this trend reversed in 2017. The Herfindahl index, which in 2010 crossed over the theoretical threshold predicting high concentration to stand within the band associated with moderate concentration, began to once again record high concentration levels from 2017 on. This situation is confirmed by analyzing the CR5 index (78.3%), which replicates this performance in both segments of the market, with Non-Life standing at 89.3% and Life standing at 84.0% (see Chart 3.2.5-u).

In terms of the overall group ranking for 2020, Rimac and Pacífico Seguros continued to hold the top two positions with market shares of 30.6% and 26.1%, respectively. The first shift on the list occurred in third place, with La Positiva (13.2%) moving up one place and MAPFRE falling one (13.1%). The other groups held the same positions they had in 2019 (see Chart 3.2.5-v).

Non-Life and Life rankings

In the 2020 Non-Life group ranking, Rimac, Pacífico, MAPFRE, and La Positiva remained in top positions with market shares of 35.7%, 22.0%, 16.7%, and 16.1%, respectively, distantly trailed by Chubb (2.8%). In the 2020 Life ranking, Pacífico Seguros remained in first place, with a market share of 31.3%, followed by Rimac with 24.0%, Interseguro with 10.7%, La Positiva with 9.4%, and MAPFRE with a market share of 8.5% (see Chart 3.2.5-w).

Key Regulatory Aspects

The key legislative and regulatory changes affecting insurance industry operations in Peru implemented in 2020 and thus far in 2021 are listed below:

- SBS Resolution No. 211-2021. Authorization regulation for companies and representatives of the Finance and Insurance Systems. It establishes improvements for said regulatory framework, specifying the requirements to assess authorization requests and the requirements for certain procedures set out in said regulatory framework pursuant to their nature to thus enhance efficiency and clarity for parties interested in establishing companies overseen by the Superintendency.

- SBS Resolution No. 211-2021. Amendment to the Regulation on Corporate Governance and Comprehensive Risk Management, SBS Resolution No. 272-2017. Its purpose is to clarify the requirements and information assessed on the above-mentioned requests. It establishes provisions for assessing the moral fitness, technical suitability, and financial solvency of the organizers, shareholders, ultimate beneficiaries, directors, managers, and primary staff members of the companies whose systems are under its oversight, pursuant to the applicable regulations. This provision entails the revocation of Article 6 on verifying the suitability of the "Supplementary Standards for Selecting Directors, Managers, and Internal Auditors," approved by SBS Resolution No. 1913-2004.

- SBS Resolution No. 211-2021. Amendment to the Regulation on Property Acquisition in the Share Capital of Overseen Companies and Significant Owners, SBS Resolution No. 6420-2015. It amends the information to be submitted to require prior authorization from the Superintendency to be a significant owner of the company, whether directly or via third-party action, via any acquisition mode set out in Article 4 of the Special Standards on Economic Group Affiliation. It also establishes criteria in line with the Regulation on Corporate Authorization in terms of comprehensive assessment, resolution, and authorization of share transfer requests.

- SBS Resolution No. 211-2021. Amendment to the Directors, Managers, and Leading Officials Register (REDIR) Standard Circular No. G-119-2004. It lists the Market Conduct Official as the top official to be reported to the Registry.

- SBS Resolution No. 277-2021. Amendment to the Regulation on the Sale of Insurance Products, approved by SBS Resolution No. 1121-2017, Regulation on the Oversight and Control of Brokers and Assistants, approved by SBS Resolution No. 809-2019, Regulation on Market Conduct for the Insurance System. It expands remote insurance sales and brokerage and determines which insurance policies can be sold directly by insurance companies and which can be sold by bancassurance and salespeople.

- Official Letter No. 13128-2020-SBS (Issued on 5/15/2020). Measures on information transparency for life insurance with investment elements. Measures are established for companies operating in life insurance with an investment element and whose financial risk is fully assumed by the insured party or beneficiary. Within the framework of proper market conduct management and on the basis of the principle of information transparency, companies are required to offer the contracting party clear, sufficient, specific, and opportune information on said insurance policies, emphasizing the investment element, including information on expected performance, categories and projections of associated portfolios and mutual funds, and sharing relevant scenarios for the contracting party to make a decision. They must include one pessimistic scenario. Additional charges not related to insurance coverage, the surrender value, and applicable limitations or penalties should also be reported. In the case of already sold policies in force, and as their conditions allow for surrender, partial or total withdrawals from the associated portfolio or mutual fund, the requesting party (contracting or insured party) must be given clear, sufficient, specific, and opportune information on the historical evolution of the value of said portfolio or mutual fund and its projections for the future, considering scenarios similar to those described above. Emphasis should also be placed on the implications of the financial results that the requesting party would assume in the event they exercise the aforementioned option of surrender or withdrawal.

- SBS Resolution No. 1856-2020. Approval of the Regulation on the Technical Claims Reserve (effective 7/28/2020), adaptation deadline 6/30/2021. Via SBS Resolution No. 1856-2020, published July 27, 2020, the Superintendency approved the new Technical Claims Reserve applicable to insurance companies. Insurance companies will have until June 30, 2021 to adapt to the provisions of the new Regulation. As of that date the regulation approved by SBS Resolution No. 4095-2013 will be repealed. The new Regulation updates the provisions regarding the constitution of technical claims reserves, considering international standards such as the International Association of Insurance Supervisors (IAIS) Insurance Core Principle 14 "Valuation," as well as the experience and case presented during the company oversight process. The regulation was updated to more accurately reflect insurance companies' obligations and prevent insurance company insolvency, to the benefit of insured parties. The definition of technical claims reserve was updated in line with international standards, indicating that it represents the best estimate of the company's total outstanding liabilities for claims occurring prior to the date of the assessment. Said reserve must be calculated monthly as the sum of two components: (i) best estimate liability (BEL); and, (ii) margin over current estimate (MOCE).

- Circular No. S-671-2020. Creation of the Mandatory Life Insurance Reporting Center. This circular governs insurance companies' obligation to periodically report information to develop the database of Mandatory Life Insurance policies. Mandatory Life Insurance is required and regulated by Legislative Decree No. 688, the Social Benefits Consolidation Act, and Law No. 26645, amending the Social Benefits Consolidation Act and its amendments. This insurance must be taken out by employers and activated on the worker's first day on the job. The coverage this insurance grants workers and/or their beneficiaries includes: death by natural causes, accidental death, or total permanent disability. The insured sums amount to the following: 16 insurable payments for natural death, 32 insurable payments for accidental death, and 32 insurable payments for accidental total and permanent disability. The primary provisions of the standard notably include the following: (a) insurance companies are required to periodically send appendices containing information on contracting parties and additional coverage taken out, exposed insured parties, unearned premium reserves, and information on Mandatory Life Insurance (Appendix SV-20 "Contracting Parties," Appendix SV-20A "Exposed Parties," Appendix SV-20B "Unearned Mandatory Life Insurance Premium Reserves," Appendix SV-20C "Claims"); (b) general instructions to fill in the fields of these appendices are approved; (c) provisions are established with regard to the first time appendices are sent, as they must include historical data; (d) provisions are established to correct and report errors in the data reported to the Mandatory Life Insurance Reporting Center (sending appendices constitutes an improvement to Mandatory Life Insurance data reporting that will allow for better monitoring of loss ratios and understanding of relevant information on beneficiaries, coverage, and exposed parties). Circular No. S-671-2020 entered into force the day after it was published in the official journal El Peruano, and adaptation plans must be completed by December 31, 2021.

- SBS Resolution No. 504-2021. Regulation on Data Security Management and Cybersecurity. The purpose is to strengthen the cybersecurity capacity of overseen companies and systems. The regulation sets out a general scheme and a simplified scheme for data security management with requirements differing by company according to size, nature, and operational complexity, based on proportionality. It also establishes minimum authentication requirements for providing services via digital channels.

- Law No. 31143. Law protecting financial services consumers from usury. It establishes purchasing conditions for debtor's life insurance and sets out the process for the Superintendency of Banking, Insurance, and Pension Fund Administrators to approve general and specific policy conditions. It gives the Superintendency of Banking, Insurance and Pension Fund Administrators the authority to regulate and approve rates and other commissions.

- SBS Resolution No. 1143-2021. Regulation on Mathematical Reserves. The Regulation on Mathematical Reserves establishes the guidelines and methodological approach for building mathematical reserves for life insurance other than life annuity SPP and SCTR and Mandatory Life Insurance. The regulation follows Insurance Core Principle (CIP) No. 14, approved by the IAIS, establishing standards for insurance company liability valuation. The primary provisions of the Regulation are: (a) general provisions in terms of the methodological approach, guidelines, and principles for building life insurance mathematical reserves; (b) inclusion of the best estimate margin (MOCE), a component of the mathematical reserve; (c) mathematical reserves must be recorded and treated in the books pursuant to the new methodological approach and its components (base mathematical reserves, best estimate margin (MOCE), and variation on the mathematical reserves resulting from changing interest rates; (d) guidelines in terms of building Life insurance mathematical reserves with a savings and/or investment element; (e) a proprietary authorization procedure was added for insurance companies to use or modify their own methodology to calculate the MOCE of the mathematical reserves; and (f) a procedure on authorization to release mathematical reserves due to the application of the Regulation on Mathematical Reserves. Companies have an adaptation period ending June 30, 2022.

- SBS Resolution No. 1147-2021. This resolution amends the Regulation on Insurance System Market Conduct Management approved by SBS Resolution No. 4143-2019. Debtor's life insurance purchasing conditions, in accordance with Law No. 31143, protecting financial services consumers from usury.

- SBS Resolution No. 1761-2021. This resolution amends the Regulation on asset requirements for insurance and reinsurance companies (SBS Res. No. 1124-2006). The COVID-19 pandemic has increased the number of claims that insurance companies need to cover, especially in terms of pension and group life insurance. This increased loss ratio can be seen under liabilities in insurance companies' books (claims reserves) and expenses. However, due to the current solvency ratio rule, this increase is also being reflected in the asset requirements for these kinds of insurance policies and is estimated as an unexpected loss. Thus, the current rule asset requirement calculation rule for group pension and life insurance places excessive emphasis on the excess mortality caused by the pandemic. The proposal therefore aims to prevent double penalty of insurance companies' financial situation due to said effect. Given this scenario, adjusting the solvency ratio calculation based on these types of claims is considered reasonable to mitigate the effects of the pandemic on the capital charge required of insurance companies. This adjustment is necessary considering that increased claims due to the pandemic could extend for a longer period of time with the risk of a third wave and new variants of the virus.

During said period, exceptional measures were issued within the framework of the State of Emergency due to COVID-19 among notably including the following:

- Official Letter No. 11159-2020-SBS, 3/16/2020. Communication addressed to insurance companies requiring them to adopt the following measures: (a) implement workplace cleaning and disinfection measures; (b) be prepared to implement remote work on a large scale, (c) ensure that any strategies created consider potential unavailability of subcontracted service providers identified as significant; (d) guarantee possession of the technical and technological capabilities to handle a potential increase in cyberattacks and increased demand from remote, digital, and call center channels; and (e) inform the Superintendency immediately of any difficulties to reasonably continue operations. The following exceptional measures were also stipulated: First, to suspend the application of the deadlines for handling claims at the national level. To also give priority attention to the processes related to the management and payment of claims, with special emphasis on health care insurance and other insurance policies that provide health or death coverage. Second, an extension of 180 calendar days is granted for the creation of provisions for premiums to be collected from insured parties. The power to discount premiums pending payment by the contracting party and/or insured party from compensation due to the insured party or insurance beneficiary in the event of a claimable event also applies. Third, the suspension of the submission of financial information, appendices, reports, and any other information requested by the Superintendency. Fourth, the suspension of sending follow-ups to the recommendations made by this Superintendency as part of its supervisory functions. Fifth, the suspension of the deadline for sending comments on draft regulations for consultation.

- Official Letter No. 11163-2020-SBS, 3/17/2020. In accordance with the regulations in force, the 2020 Annual Mandatory Shareholders' Meeting was to be held by 3/31/2020 at the latest. Given the state of national state of emergency, the Superintendency specifies that in the event that the meeting cannot be held in a timely manner, the companies may hold the required Annual Shareholders' Meeting after 3/31/2020. Likewise, for the duration of the state of emergency, companies may hold required Annual Shareholders' Meetings by alternative remote means, provided that the right of information and participation of all shareholders is guaranteed within the framework of the regulations in force.

- Official Letter No. 11167-2020-SBS, 3/19/2020. This letter provides notification on the supplementary measures related to the deadlines established for handling users' requests and claims, taking into account the suspension of deadlines established in SBS Resolution No. 1259-2020, issued due to the national state of emergency. It specifies that as long as the National State of Emergency is maintained, the deadlines for providing a response to users' requests and claims are suspended. Once the State of Emergency comes to an end, the calculation of the respective deadlines for their handling will resume. Under the same terms, there will also be a suspension of the deadline for responses to microinsurance claims. The foregoing notwithstanding, in order to provide a timely response to the users mentioned above, companies are urged to carry out an individual evaluation of each case and ensure that they provide a response as soon as possible, depending on their operational capacity and the availability of resources, prioritizing those claims involving an economic impact on users.

- Official Letter No. 11217-2020-SBS, 3/25/2020. This letter specifies that the extension to 180 days of the period for the constitution of provisions for impairment due to delayed payment of premiums is applicable in all cases. In the case of outstanding premiums for which provisions were to be constituted during the state of emergency, the period indicated above should be considered, as of date of non-payment. Provisions previously constituted by 50% of unpaid premiums should not be returned. With regard to payment of premiums and difficulties insurance contracting parties may be experiencing; it is worthwhile to indicate that their representative is authorized to modify the payment calendars initially agreed upon, pursuant to current regulations. Furthermore, any suspension of coverage shall be subject to the time limit and formalities provided for to that end, without proceeding in cases where the contracting party has paid a proportional premium equal to or greater than the period covered by the contract. Lastly, considering the current state of emergency, the Superintendency is of the opinion that its representative must assess the appropriateness of rescheduling payment agreements with as many contracting parties as possible.

- Official Letter No. 11233-2020-SBS, 3/30/2020. The Superintendency informed companies of the following exceptional measures on investment management: First, the temporary increase in the individual investment limit per counterparty in the case of financial institutions: (a) the limit for the sum of eligible investments issued or backed by the same financial institution is increased from 7% to 9.5% of technical obligations. If the financial strength of a local financial institution is classified as "A" the limit is increased from 10% to 12%. 5% of technical obligations. In the event that the financial institution loses the above risk classification, the insurance company must submit an adjustment plan. Second, the limit for the sum of eligible investments in current account deposits in the same financial institution is increased from 5% to 10% of technical obligations. Third, temporary suspension of the accounting record for the value impairment of financial instruments, taking into account the current and unusual volatility of local and international financial markets. However, the company must conduct the impairment assessment and the results must be made available to this Superintendency. Fourth, temporary exemption from restrictions for accounting reclassifications and sales of instruments classified as held-to-maturity. Given that the accounting classification shift and subsequent sale or transfer of certain instruments classified as held-to-maturity could help insurance companies meet liquidity needs under better conditions in the current scenario – compared to other investments with less liquidity in the market – said transactions need to be carried out without the penalty envisaged in the current regulation as the current scenario has come about as a result of an isolated, uncontrollable, and unexpected event. If the company generates profit at the end of the fiscal year, due to the change in the accounting classification or the sale or transfer of instruments currently classified as held-to-maturity, any earnings resulting from the application of this provision shall be capitalized. Fifth, temporary suspension of the accounting update of the valuation of real estate investments valued under the discounted cash flows (DCF) methodology, taking into account the current and unusual volatility of local and international financial markets. For the purpose of fair value monitoring, insurance companies must apply methodologies to update the fair value of these real estate investments and their results must be made available to this Superintendency.

- Official Letter No. 13537-2020-SBS, 5/26/2020. The following exceptional and temporary measures are established in relation to real estate investments: First, temporary amendment of the "months of arrears" criterion to determine adjustment factors for flows generated by lease or usufruct contracts, used in the Asset Sufficiency Analysis (ASA). Considering that, due to the current scenario, insurance companies could experience delays in the collection of income from lease or usufruct contracts corresponding to cash flows included in the ASA, the following temporary, exceptional provisions have been made: (a) use the following "adjustment factors for flows generated by lease or usufruct contracts based on months of delay of first pending payment" table until 12/31/2020 instead of the one in Appendix No. 1 of the

ASA Regulation: 0 to 6 months behind, an issuance percentage of 95.0% and more than 6 months behind, the percentage allowed will be 0.0%; (b) the treatment set out in the provision above does not apply to all cases where the first pending payment occurred prior to the start of the State of National Emergency; (c) the company's Risk Unit is responsible for monitoring and ensuring proper application of the exceptional measure, as well as analyzing the overall impact of this measure on the ASA. With regard to the final deadline for registering real property with the registration blocked by the company, due to the effects of the National State of Emergency on the Real Property Registry and the Land Registry Office, the final deadline of sixty (60) business days set out in paragraph two of section g.2 of Article 25 of the Regulation on Investments has been temporarily suspended. This suspension shall be effective for the entire duration of this National State of Emergency, as well as for the thirty (30) calendar days following the date on which this State of Emergencyis lifted.

- Official Letter No. 21306-2021-SBS, 4/28/2021. Considering the current COVID-19 pandemic situation, the Superintendency believes it reasonable to exceptionally and temporarily amend the RIP for short-term group and individual life insurance to mitigate the impact of the excess deaths occurring during the pandemic. Given the impact of the pandemic on pension insurance reserves, the way the reserve rate is calculated has been amended to defuse periods with excess loss ratios.

A few of the draft regulations currently being prepared by insurance industry regulatory and supervisory authorities are also worthy of mention:

- Draft "Regulation for temporary action on new models."

  It was also prepublished in May 2021 for comment. Pursuant to the Thirty-Fourth Final and Supplementary Provision of Law No. 26702, which stipulated that the Superintendency may establish temporary authority over any operation or activity within the scope of its supervisory powers via new models and can grant any exceptions to the regulation it deems applicable to the individuals or legal entities carrying out said operations or activities, as well as with regard to the other provisions necessary for their development.

- Draft Amendments to the Regulation on Insurance System Market Conduct Management approved by SBS No. 4143-2019, Regulation on the Sale of Insurance Products approved by SBS resolution No. 1121-2011, Regulation on the Policy Models and Minimum Requirements for Technical Notes, approved by SBS Resolution No. 7044-2013, Circular B-2232-2016 on the Procedures to approve and/or register general contracting clauses and policy models, and the Superintendency of Banking, Insurance, and Private Pension Fund Administrators approved by SBS Resolution No. 2755-2018 to align them with the provisions issued via Law No. 31143, protecting financial services consumers from usury.

- Amendment to the Regulation for the constitution of catastrophic risk and uncertain loss ratio reserves. The objective is to update the method for calculating the loss risk for insured portfolios vs. the risk of earthquake and tsunami and the corresponding technical reserve in order to strengthen the insurance system's capacity to take losses caused by catastrophic risks.

- Draft amendment to the Regulation on insurance company investment classification and valuation, with regard to the fair value model for investments in real property. The purpose is to amend the requirements, guidelines, and methodology for valuing real property investments with the fair value model, subject to authorization. The idea is that said investments are valued properly since they are to support insurance companies' technical obligations.

- Draft Regulation on Life Insurance with a savings and/or investment element. This regulation includes aspects related to the sale, promotion, and management of these products, best practices, transparency, investments, capital requirements, and accounting treatment for their registration, classification, and valuation.

- Draft Regulation on Comprehensive Asset and Liability Management for Insurance Companies. Insurance companies need to have an asset and liability management system appropriate to the nature, scale, and complexity of the risks inherent to their business. Companies are also required to improve asset and liability management by establishing guidelines and minimum requirements for proper management.

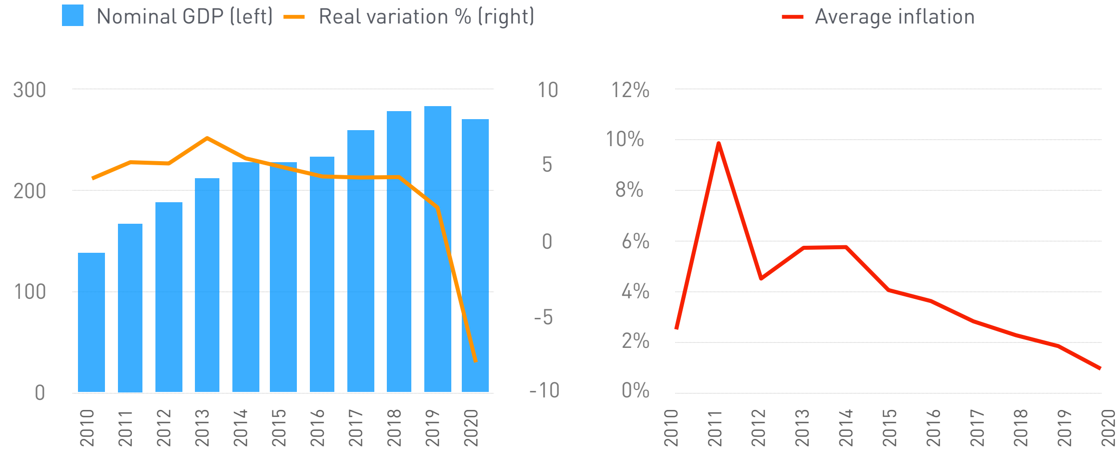
- Draft Regulation on credit, surety, and bond insurance issued by insurance companies. The project distinguishes prudential treatment of bonds backing credit obligations and bonds backing similar obligations from those backed by surety policies, considering the identified risks and the type of management applied. The aim is for insurance companies to create strategies, policies, and procedures to underwrite and monitor surety and bond policies as well as assess, rate, monitor, and recover counter-sureties. The regulatory framework applicable to domestic and exported surety insurance also requires bolstering in aspects including management, prudential requirements, and accounting treatment.

3.2.6 Bolivia

Macroeconomic Environment

In 2020, the Bolivian economy underwent a major contraction of around -8.0%, compared to the deceleration experienced the previous year when it grew 2.2%, breaking the trend of growth above 4% seen in previous years (see Chart 3.2.6-a). This drop in business was caused by the effects of the pandemic on its

Chart 3.2.6-a
Bolivia: Changes in Economic Growth and Inflation
(GDP in local currency, billions of bolivianos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

economy in a political climate of high uncertainty caused an abrupt drop in domestic demand, which occurred in addition to the impact of the drop in foreign demand as well as plummeting mineral and oil prices, commodities the Bolivian economy is a net exporter of. This environment led to a significant number of job losses with unemployment at 7.9% of the workforce (3.7% in 2019). In spite of this, the deficit in the balance of payments current account fell to 0.5% of GDP (3.4% of GDP in 2019), given the drop in imports. Meanwhile, the average inflation rate stood at 0.9% in 2020, compared to 1.8% the previous year.

According to ECLAC data, non-financial public debt was 12.3% of GDP at year end 2020 (vs. -7.2% the previous year) due to the major drop in revenue. Total non-financial public debt was estimated to be around 79% of GDP at year end 2020, vs. 59.1% of GDP at year end 2019. ECLAC has forecasted a partial recovery in 2021, with estimated growth of 5.1%, considering that there is relatively little space available for public policy and that the vaccine roll-out was hindered by issues procuring vaccines.

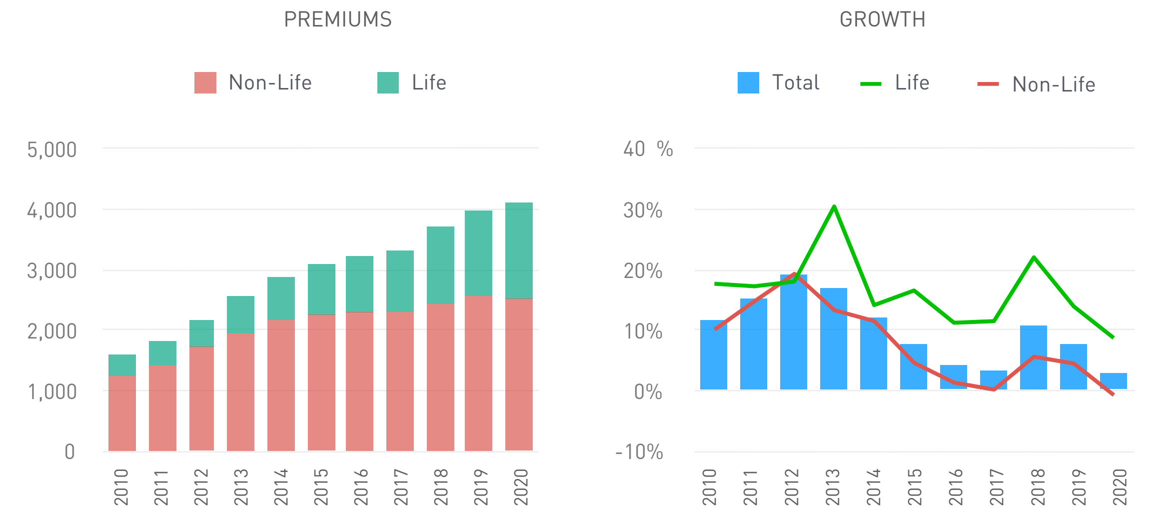
Insurance Market

Growth

Premiums in the Bolivian insurance market amounted to 4.09 billion bolivianos (593 million dollars) in 2020, meaning 2.7% growth in nominal terms and 1.8% in real terms compared to the previous year. This was mainly attributable to a boost from Life insurance, albeit with less momentum than that seen the previous year (14% in nominal terms and 11.9% in real terms). Non-Life insurance accounted for 62% of premiums in 2020 and the remaining 38% went to Life insurance (see Table 3.2.6 and Chart 3.2.6-b).

Life insurance continued on its upward trend (which has remained uninterrupted for more than a decade), accounting for 38% of premiums (21.4% in 2010). Life insurance premiums increased to 1.55 billion bolivianos (224 million dollars), which represents a nominal increase of 8.8% and a real increase of 7.7%. Although the largest increase was seen in Life Annuities (36.3% in nominal terms and 35% in real terms), its premium volume is

Chart 3.2.6-b
Bolivia: Growth Developments in the Insurance Market
(premiums, millions of bolivianos; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

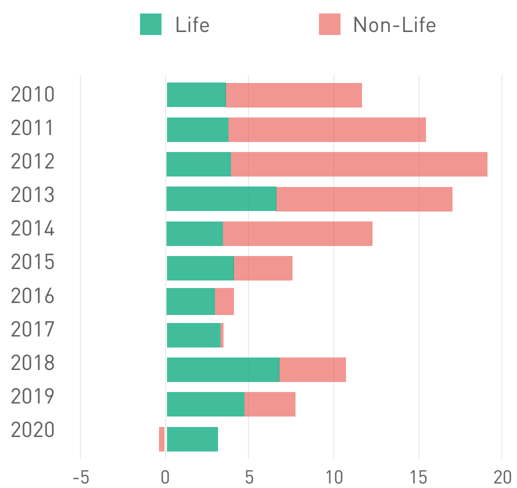
Table 3.2.6
Bolivia: Premium Volume[1] by Line, 2020

Line	Millions of bolivianos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**4,093**	**593**	**2.7**	**1.8**
Life	**1,545**	**224**	**8.8**	**7.7**
Group Life	151	22	32.2	31.0
Individual Life	1,377	199	6.4	5.4
Life annuity	17	2	36.3	35.0
Non-Life	**2,549**	**369**	**-0.6**	**-1.6**
Auto	685	99	-7.9	-8.8
Other lines	358	52	29.5	28.3
Fire	351	51	-1.0	-1.9
Third-party liability	113	16	0.7	-0.2
Transport	182	26	-11.0	-11.9
Technical risks	130	19	-23.4	-24.1
Surety	119	17	-24.6	-25.3
Health	519	75	17.8	16.7
Personal accident	93	13	-12.5	-13.3

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
1/ Direct premiums

relatively small, so its contribution is smaller than individual Life insurance, which accounted for 89% of Life insurance premiums and rose 6.4% (5.4% in real terms) in 2020. Non-Life insurance premiums (which made up 62% of premiums in 2020) fell 0.6% nominally, while they contracted 1.6% in real terms, to 2.55 billion bolivianos (369 million dollars). The most important modality is Auto, which includes Mandatory Traffic Accident Insurance

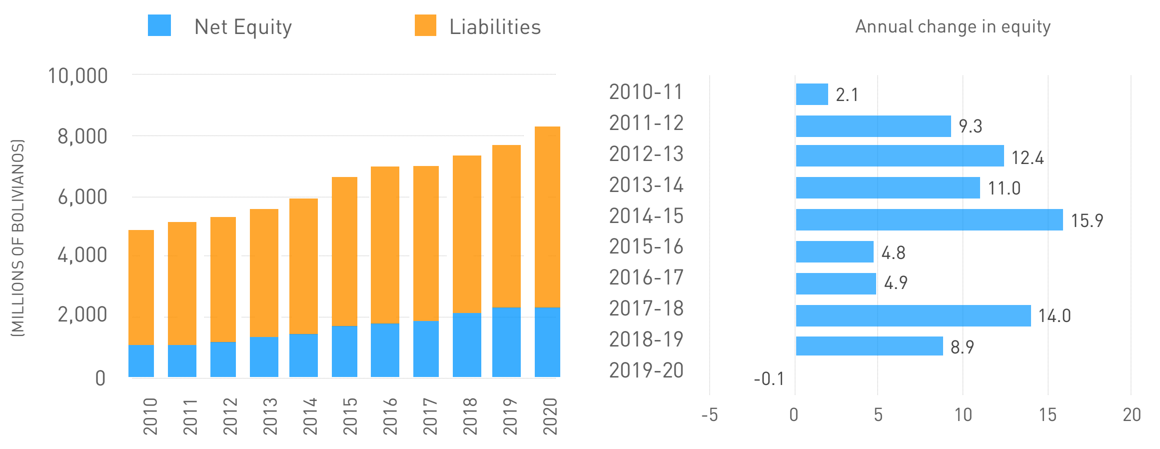
Chart 3.2.6-c
Bolivia: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	11.7	3.6	8.1
2011	15.4	3.7	11.7
2012	19.1	3.9	15.2
2013	17.1	6.6	10.5
2014	12.2	3.4	8.8
2015	7.6	4.1	3.5
2016	4.0	3.0	1.1
2017	3.5	3.3	0.2
2018	10.7	6.8	4.0
2019	7.8	4.7	3.0
2020	2.7	3.1	-0.4

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-d
Bolivia: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

(SOAT), whose premiums fell -7.9% in nominal terms (-8.8% in real terms) in 2020. As Chart 3.2.6-c indicates, Life insurance positively contributed 3.1 pp to growth, while the Non-Life insurance segment negatively contributed 0.4 pp.

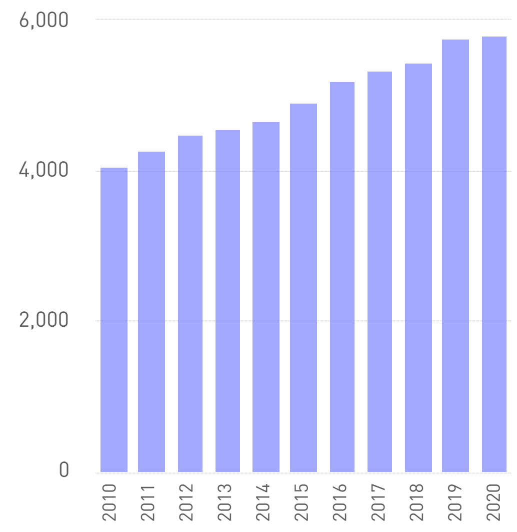
Balance Sheet and Shareholders' Equity

Chart 3.2.6-d shows the aggregate balance sheet for the Bolivian insurance industry. As it shows, in 2020, total industry assets amounted to 8.28 billion bolivianos (1.2 billion dollars), while equity was 2.33 billion bolivianos (338 million dollars) with a negative variation of -0.08 pp compared to 2019. Furthermore, the Bolivian insurance industry maintained aggregate capitalization levels (measured on total assets) of over 20% between 2010 and 2020, representing 28.13% of total assets in 2020.

Investments

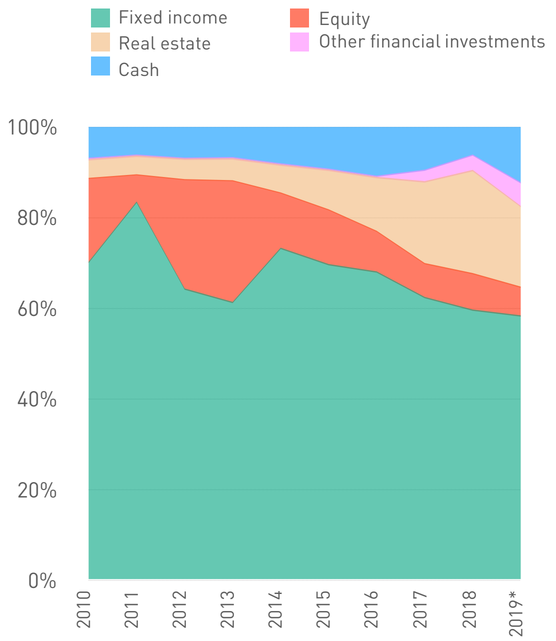
Chart 3.2.6-e shows changes to Bolivian insurance industry investments between 2010 and 2020. According to these data, investment for the sector came to 5.75 billion bolivianos (835 million dollars) in 2020. Charts 3.2.6-f and 3.2.6-g show changes in the composition of the industry's investment portfolio in the Bolivian insurance market between 2009 and 2019 (the last year for which disaggregated data is available). In 2019, the investment

Chart 3.2.6-e
Bolivia: Insurance Market Investments
(millions of bolivianos)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

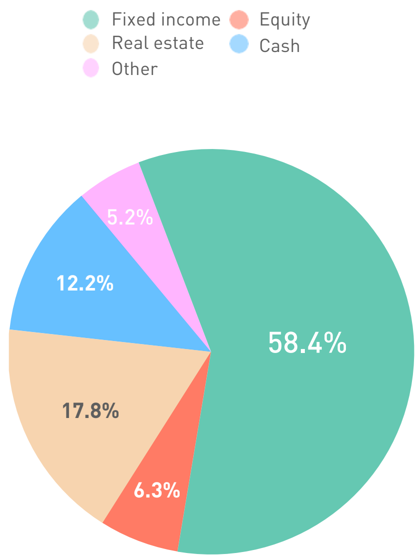
Chart 3.2.6-f
Bolivia: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

* Latest data available

Chart 3.2.6-g
Bolivia: Structure of investment, 2019*
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

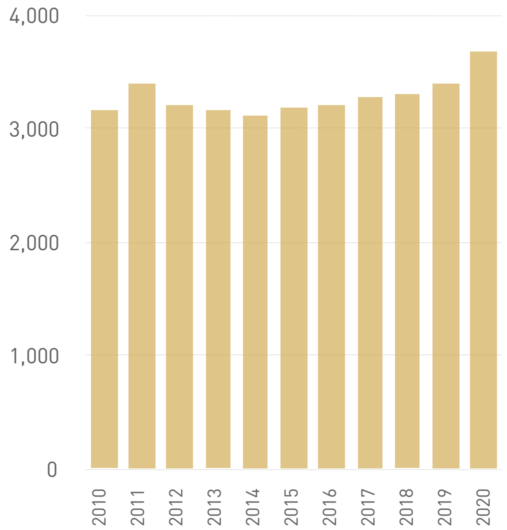
*Latest data available

portfolio investment portfolio was divided into fixed income (58.4%) and, to a significantly lesser extent (6.3%), equity instruments, property (17.8%), cash and cash equivalents (12.2%), and other investments (5.2%). The structure of the portfolio has changed significantly over the period under analysis, with the weight of investment in equities falling from above 24% in 2012 and 2013 to around 12% in 2014 and 2015 and to 6.3% by 2019. Meanwhile, the weight of real estate assets increased from 4.1% in 2009 to 17.8% in 2019.

Technical provisions

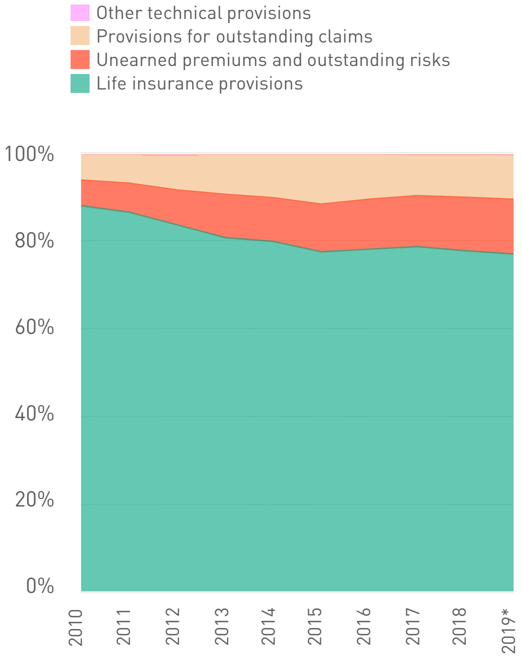
The evolution and relative composition of the Bolivian insurance industry's technical provisions are shown in Charts 3.2.6-h, 3.2.6-i, and 3.2.6-j. These data indicate that, in 2020, technical provisions amounted to 3.67 billion bolivianos (533 million dollars). The latest available data from year end 2019 indicate that

Chart 3.2.6-h
Bolivia: Technical Provisions of the Insurance Market
(millions of bolivianos)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

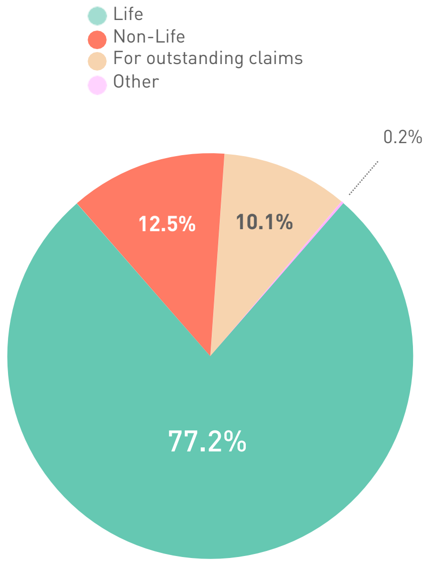
Chart 3.2.6-i
Bolivia: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

* Latest data available

Chart 3.2.6-j
Bolivia: Structure of Technical Provisions, 2019*
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

*Latest data available

77.2% of all technical provisions related to Life insurance, 12.5% to provisions for unearned premiums and unexpired risks in Non-Life insurance, and the remaining 10.1% to provisions for outstanding claims.

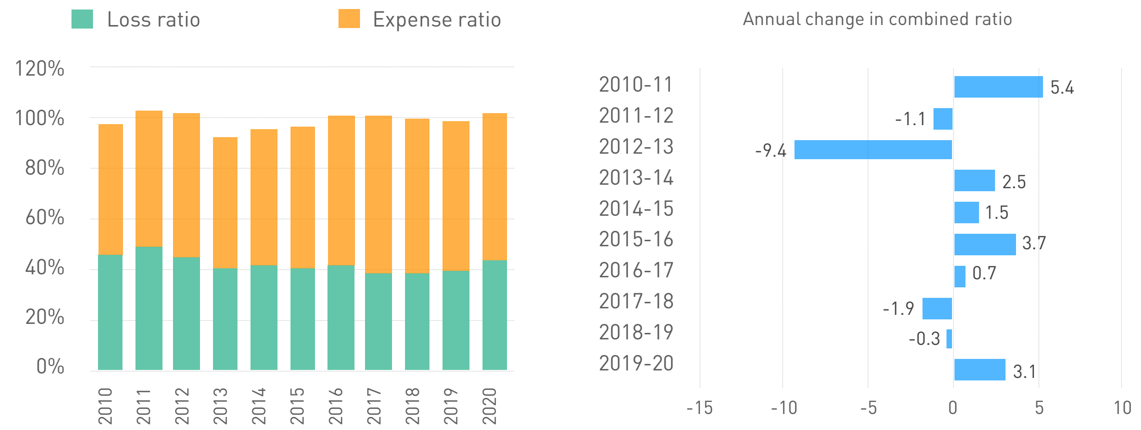
Over the 2009-2015 period, provisions for Life insurance lost its share, falling from 88.8% of total provisions in 2009 to 77.7% in 2015, then slightly rising in the next two years reaching 78.9% in 2017 before dropping again in 2018 and 2019 to the current 77.2%. This also holds true for the absolute values, which fell from 2.8 billion bolivianos (405 million dollars) in 2009 to 2.47 billion bolivianos (358 million dollars) in 2015, before climbing to 2.61 billion bolivianos (378 million dollars) in 2019. During the same period (2009-2019), provisions for unearned premiums and unexpired risks in Non-Life insurance doubled in value from 173.3 million bolivianos (25 million dollars) in 2009 to 424 million bolivianos (61 million dollars) in 2019.

In the provisions for outstanding claims in Non-Life insurance, there was an increase of 6.3% in 2019, following the declines shown 2016 and 2017.

Technical performance

In the aggregate technical performance of the Bolivian insurance market, shown in Chart 3.2.6-k, the combined ratio worsened 3.1 pp in 2020 to 102.2%. Despite a -1.7 pp drop in the expense ratio, the loss ratio increased to a greater extent (4.8 pp). Meanwhile, the combined ratio for Non-Life insurance companies in 2020 improved 1.5 pp to 91.7%. This performance was due to an improvement of -0.8 pp in the expense ratio, as well as a -0.7 pp drop in the loss ratio, thus returning to the trend seen over the last four years when expenses were on the rise, while the loss experience remained stable (see Chart 3.2.6-l).

Chart 3.2.6-k
Bolivia: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)

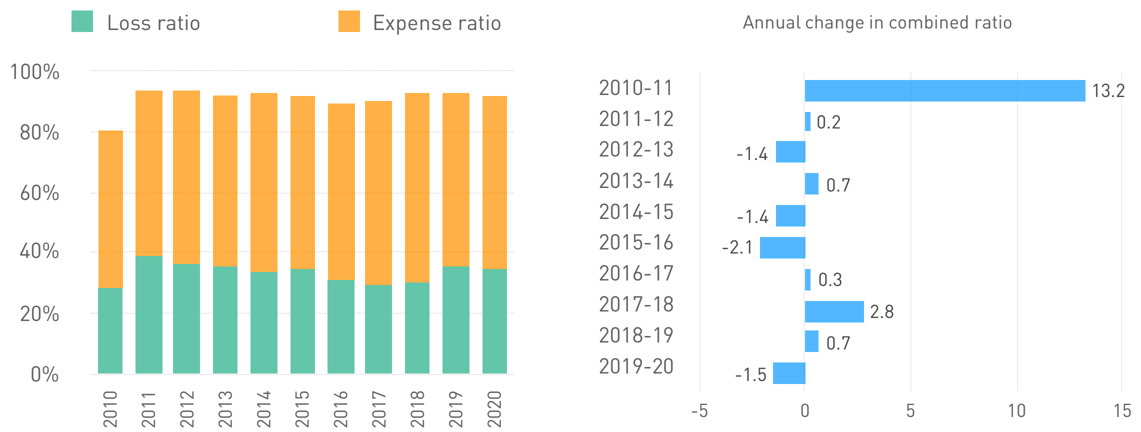


Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Results and Profitability

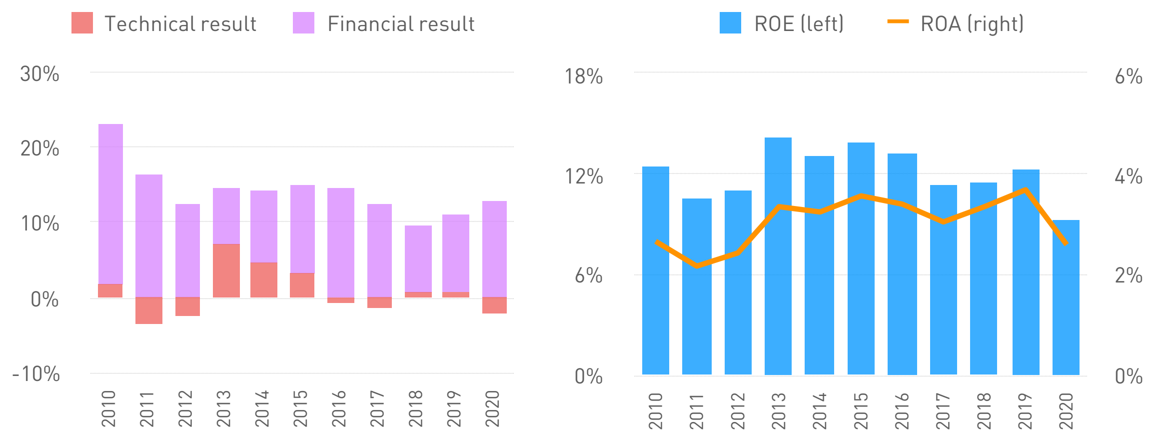
The Bolivian insurance industry posted a net result of 372 million bolivianos (53.8 million dollars) in 2020, up 20.0% on the previous year. Combined with a lower technical result, this improved financial result led to a 24.5% decrease in the net result for 2020, which was 215 million bolivianos (31.2 million dollars). In terms of yield, return equity (ROE) was 9.3% in 2020, falling 3.0 pp compared to 2019. The same holds true for return on assets (ROA), which reached 2.6% in 2020, down 1.1 pp on 2019. As indicated in previous versions of this report, insurance business profitability in Bolivia followed a steady trend over the period under analysis, mainly underpinned by the financial result, whose contribution was more consistent than the technical result (see Chart 3.2.6-m).

Chart 3.2.6-l
Bolivia: Changes in Non-Life Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-m
Bolivia: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Insurance penetration, density and depth

Chart 3.2.6-n shows the main structural trends shaping the development of the Bolivian insurance industry between 2010 and 2020. The penetration rate (premiums/GDP) was 1.5% in 2020, just 0.3 pp higher than in 2010, though it was still far below the averages observed in the wider region.

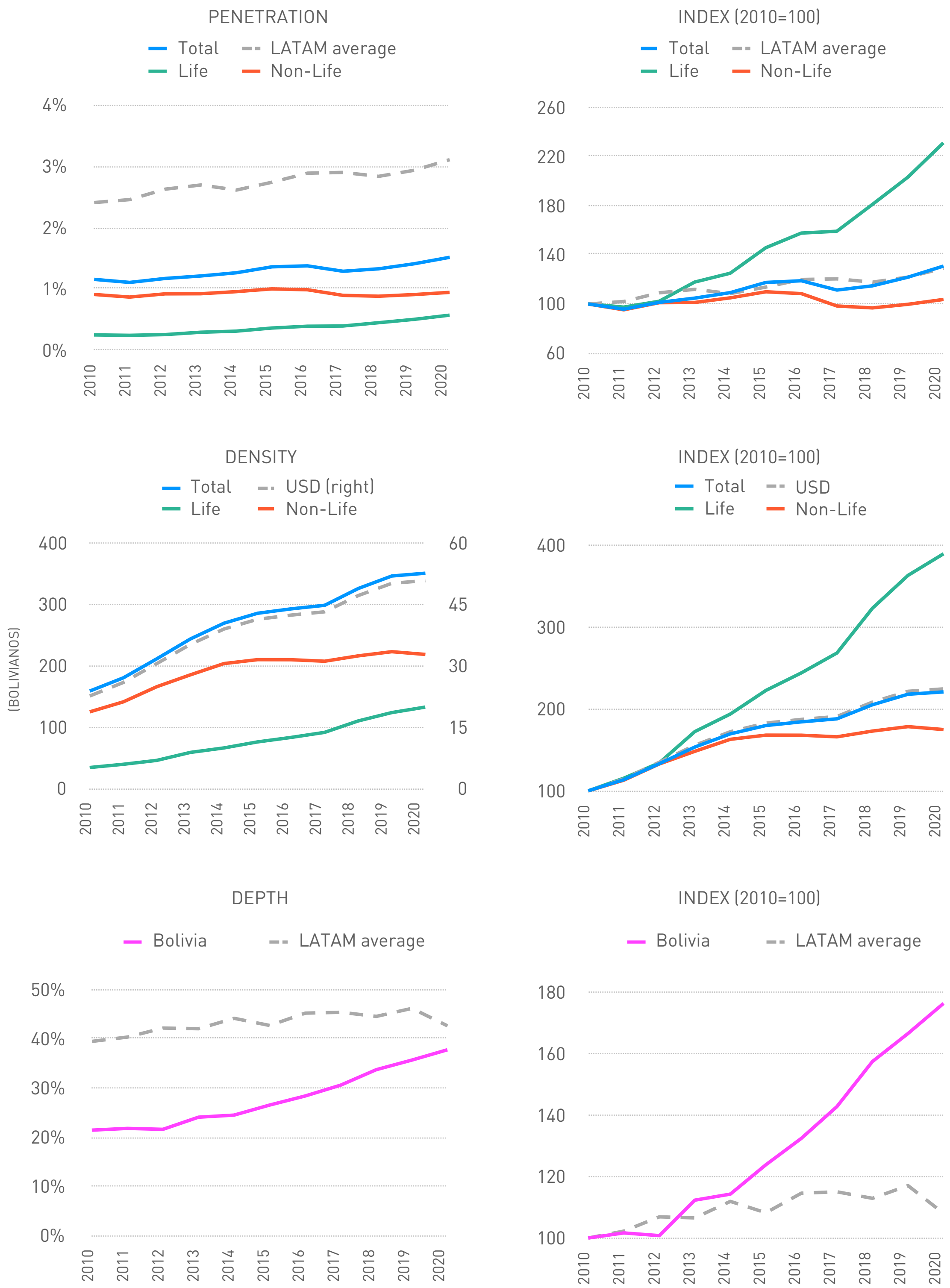
The insurance density indicator (premiums per capita) was 351 bolivianos (51 dollars) in 2020, on an upward trend in the decade under analysis, with 121% growth since 2010, when density was 159 bolivianos.

Depth (Life insurance premiums vs. total premiums) was 37.7% in 2020, up 16.4 on 2010. In this case, the depth of the Bolivian market followed an upward trend over the course of the period under analysis and, although it was below the averages for the region, over the last few years it has been converging with growth rates higher than the regional average.

Estimation of the Insurance Protection Gap

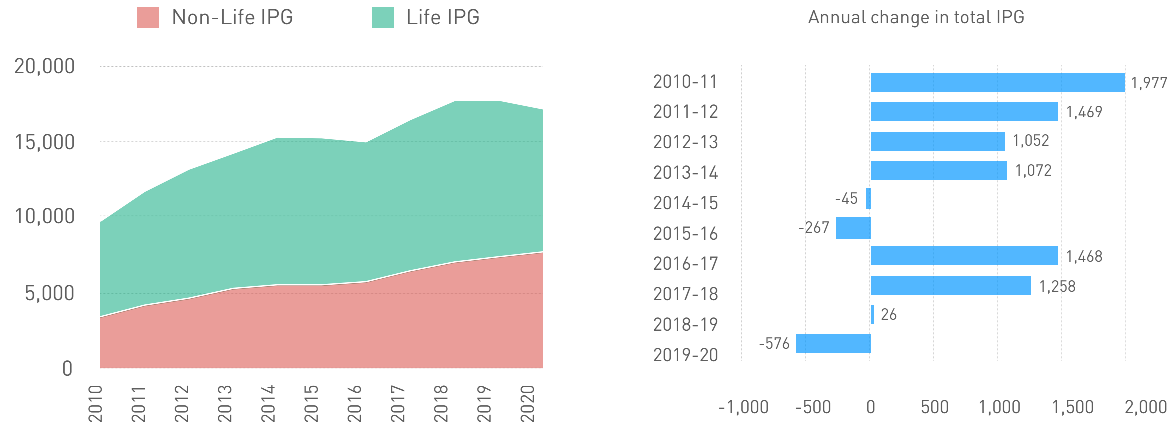
Chart 3.2.6-o shows an estimate of the insurance gap for the Bolivian insurance market between 2010 and 2020. According to these data, the IPG stood at 17.16 billion bolivianos (2.48 billion dollars) in 2020, 4.2 times the size of the country's actual insurance market at the close of that year. As in other Latin American insurance markets, the structure and performance of the insurance gap over the last decade are largely attributable to the Life insurance segment. In 2010, 65% of the IPG corresponded to Life insurance, amounting to 6.32 billion bolivianos. By 2020, that percentage had fallen to 55.1% (9.46 billion bolivianos). The potential insurance market in Bolivia (the sum of the actual market plus the insurance gap) was estimated at 21.25 billion bolivianos (3.08 billion dollars) in 2020, i.e., 5.2 times the total insurance market in the country that year (see Chart 3.2.6-p).

Chart 3.2.6-n
Bolivia: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, bolivianos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-o
Bolivia: Insurance Protection Gap
(millions of bolivianos)

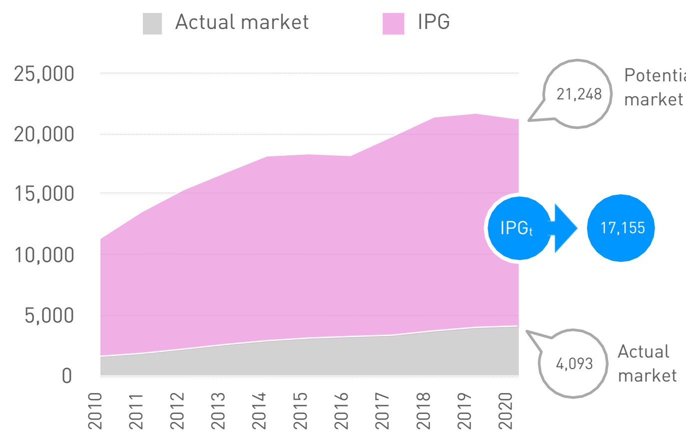


Source: MAPFRE Economics

Chart 3.2.6-q provides an estimation of the IPG as a multiple of the actual market in each year of the period under analysis. In this case, the insurance gap, measured as a multiple of the actual market, began to decline significantly from 2011, down to 4.2 times in 2020. The Non-Life insurance segment, for its part, has shown an upward trend since 2016, meaning that the indicator increased from 2.7 to 3.0 times over the 2010-2020 period. The IPG as a multiple of the actual market for Life insurance showed a clearly downward trend between 2010 and 2020, going from 18.5 to 6.1 times in that period.

Complementing this analysis, Chart 3.2.6-r summarizes the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the overall Bolivian insurance market in 2010 and 2020. As the chart shows, the situation only improved in this period for the Life insurance segment, not in the case of Non-Life insurance, where it widened.

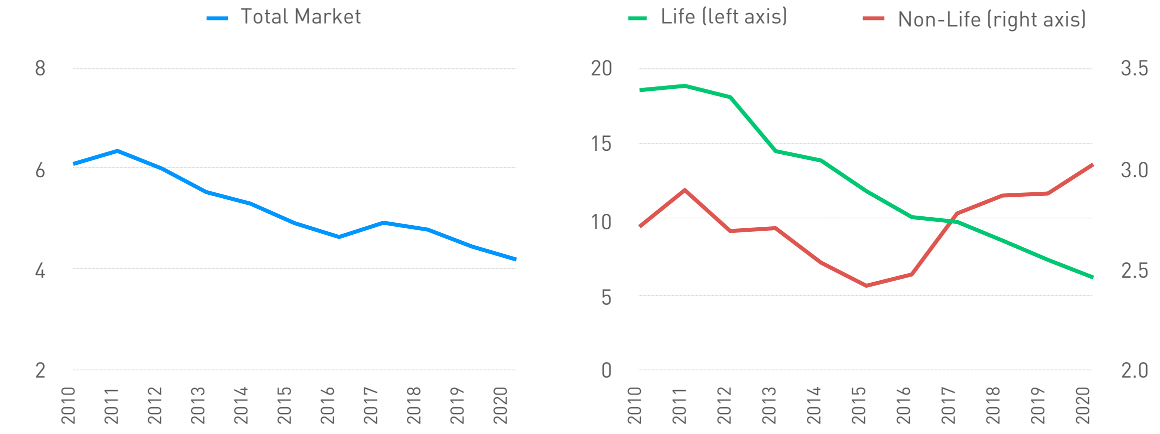
Chart 3.2.6-p
Bolivia: Insurance Protection Gap and Potential Market
(millions of bolivianos)



Variation	Actual market	IPG
2020-2010	156.6%	76.5%
2020-2019	76.5%	49.6%

Source: MAPFRE Economics

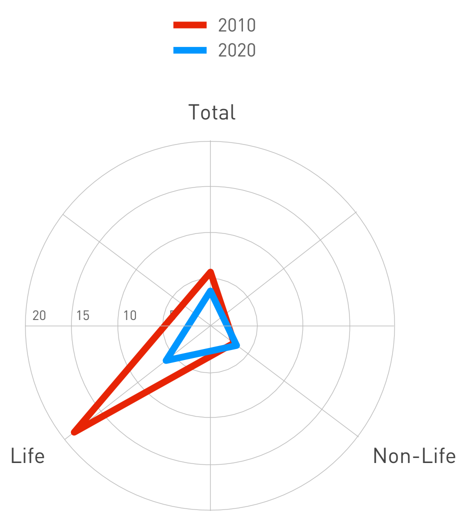
Chart 3.2.6-q
Bolivia: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.2.6-s shows the evaluation of the Bolivian insurance market's capacity to close the IPG estimated in 2020, using a comparative analysis between the growth rates recorded in the market over the last 10 years and the growth rates that would be needed to close said gap. As such, the Bolivian insurance market reported an average annual growth rate of 9.9% between 2010 and 2020, which consisted of an average rate of 16.3% in the Life segment and 7.3% in the Non-Life insurance segment. Were the same growth pattern to continue over the next 10 years, the Bolivian market as a whole would fall -8.0 pp short of the amount needed to bridge the IPG calculated for 2020. The same would apply to both the Life insurance segment (short -5.4 pp) and the Non-Life segment (short -7.6 pp). This means that in order to close the insurance gap estimated for 2020, the Bolivian insurance market would require annual growth rates substantially higher than those observed over the last decade: 17.9% for the market as a whole, 21.7% for the Life segment, and 14.9% for the Non-Life segment.

Chart 3.2.6-r
Bolivia: Changes in IPG
as a Multiple of the Actual Market

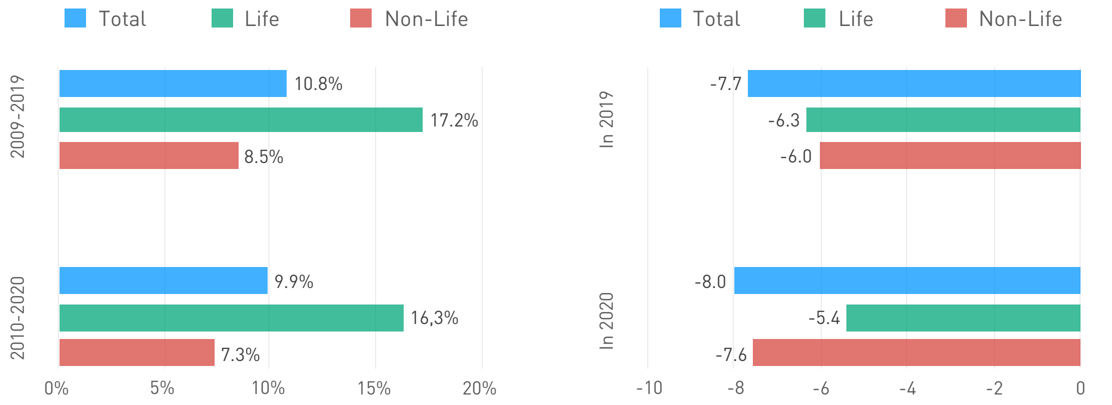


Source: MAPFRE Economics

Market Development Index (MDI)

Chart 3.2.6-t provides an estimation of the Market Development Index (MDI) for the Bolivian insurance industry. As noted earlier in this report, this indicator is used to summarize the trend in the performance and maturity of insurance markets. In the case of the Bolivian insurance industry, the MDI has followed an upward trend over the 2005-2020 period that was more buoyant from 2013 on, generally in

Chart 3.2.6-s
Bolivia: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



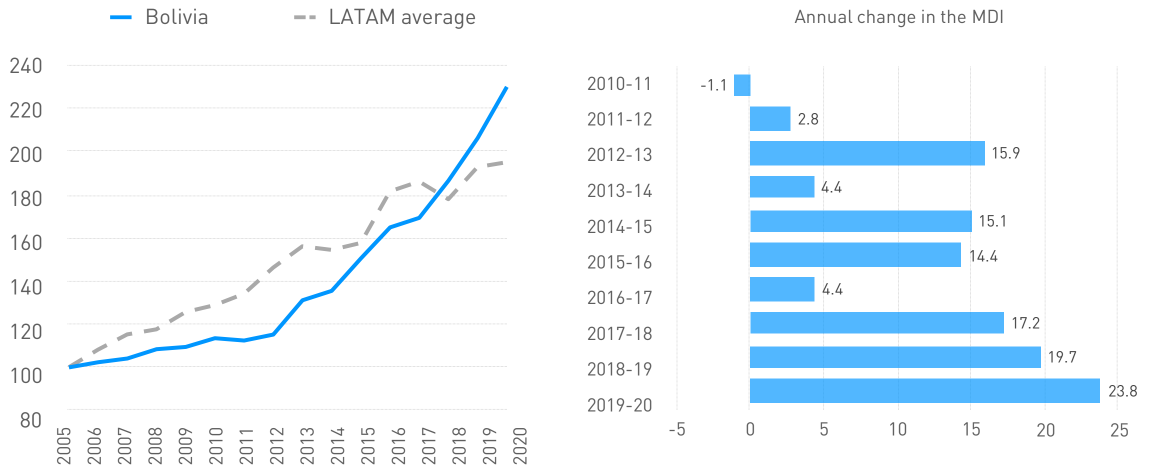
Source: MAPFRE Economics

line with the trend seen in Latin American markets as a whole. It even surpassed this trend in the last two years.

Comparative analysis of structural coefficients

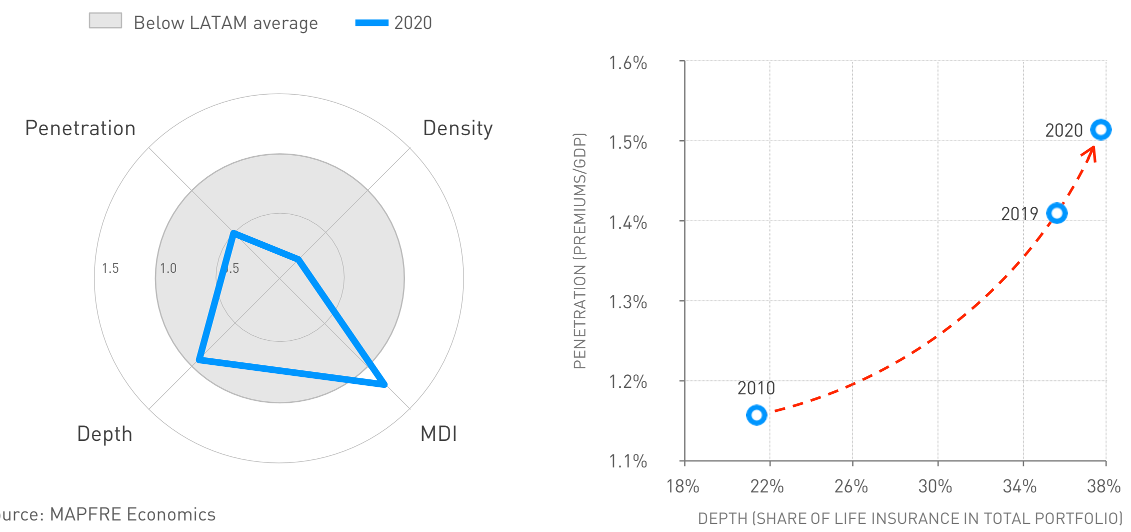
The state of the Bolivian insurance market compared to the average for Latin America, measured in terms of the structural coefficients analyzed in this report are shown in Chart 3.2.6-u. These data show that, with the exception of the market development index, these coefficients were below the regional average, especially in terms of density (premiums per capita) and penetration (total premiums/GDP). The dispersion analysis shown in Chart 3.2.6-u confirms that, over the 2010-2020 period, the Bolivian insurance

Chart 3.2.6-t
Bolivia: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.6-u
Bolivia: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

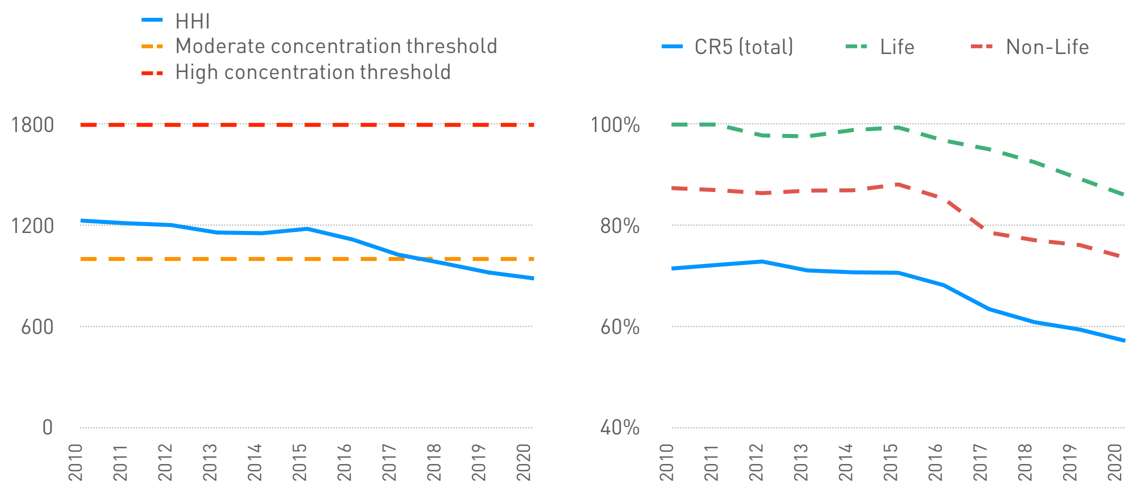
market showed balanced development, characterized by improvements both in terms of penetration (quantitative dimension of market development) and depth (qualitative dimension).

Insurance Market Rankings

Overall ranking

Nineteen insurance companies operated on the Bolivian insurance market in 2020, the same as in 2019. Of them, 10 did so exclusively in the

Chart 3.2.6-v
Bolivia: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Personal insurance segment, while the remaining nine did so in the Property & Casualty and Bond segments. In February 2018, the Santa Cruz Financial Group Investment Company decided to engage in insurance activity, forming the company Santa Cruz Vida y Salud Seguros, which received its operating authorization in January 2019 and began operations in April 2019.

Concentration levels in the Bolivian insurance market followed a downward trend over the course of the last decade, especially after 2016. In 2018, the Herfindahl index crossed below the threshold indicating a moderate concentration level and stayed below this threshold in 2020. In the same vein, the top five insurance companies (in terms of individual companies) accounted for 57.1% of total premiums between them, 2.2 pp less than in 2019. It should be noted that the concentration trend is higher when measured in group terms, and is also higher in the Life segment (see Chart 3.2.6-v).

The overall 2020 ranking for the Bolivian insurance market was led yet another year by Alianza Seguros, with a market share of 22.2%. Nacional Seguros came next with 19.8%, followed by BISA Seguros with 15%, and La Boliviana Ciacruz took fourth place with a market share of 14.6% in 2020 (see Chart 3.2.6-w).

Non-Life and Life rankings

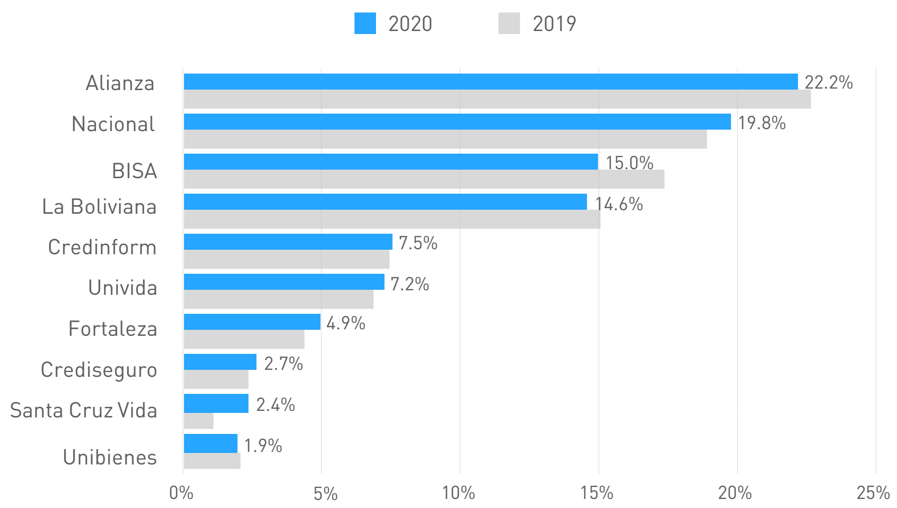
The 2020 Non-Life ranking was also headed by Alianza Seguros with a market share of 22.1%, followed by Boliviana Ciacruz with 16.9%, and BISA with 16.4% in third. The 2020 Life ranking continued to be led by Nacional Seguros, with a market share of 31.9% of premiums, followed by Alianza Seguros with 22.3%, and BISA (La Vitalicia + BISA), with a market share of 12.6% (see Chart 3.2.6-x).

Key Regulatory Aspects

In terms of regulations relating to the operation of the Bolivian insurance industry, the most relevant regulations issued in 2020 and so far in 2021 are detailed below:

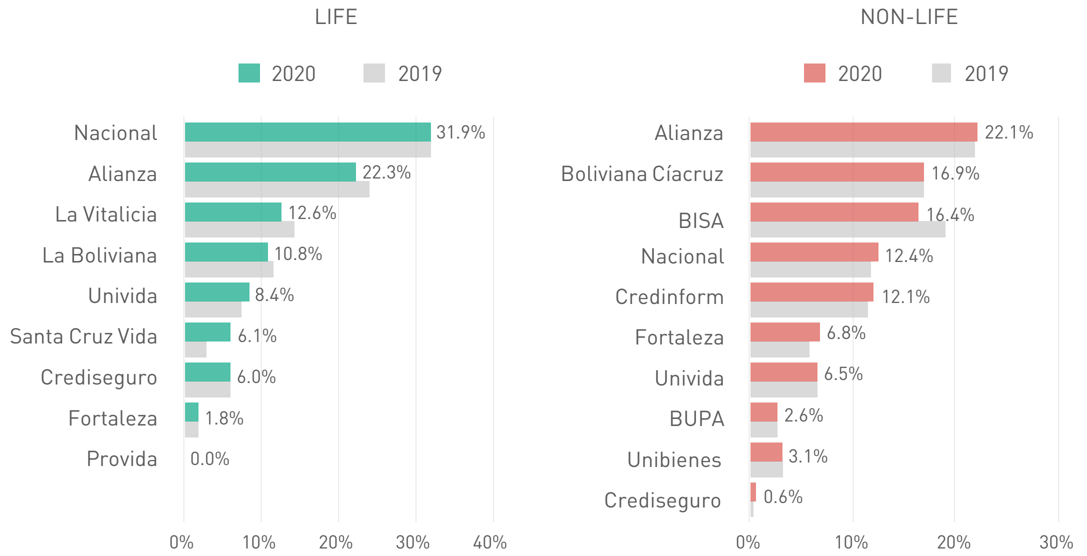
- Administrative Resolution APS/DJ/DS No. 025/2020. Approves the single uniform text of the SOATC policy.

Chart 3.2.6-w
Bolivia: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-x
Bolivia: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

- Supreme Decree 4217 of April 14, 2020. This decree authorizes insurance policy contracting for healthcare professionals and workers in contact with coronavirus (COVID-19). It exceptionally authorizes the Bolivian Ministry of Health to proceed, on its own behalf and on behalf of short-term social security companies, to directly take out an annual group insurance policy for total and permanent disability or death, for a period of one year, for health professionals and workers employed at healthcare facilities, clinics, or other facilities within the public sub-sector, short-term social security sub-sector, and the private healthcare system, who were infected as a result of providing care or services to patients infected with the coronavirus (COVID-19).

- Administrative Resolution APS/DJ No. 468/2020 of April 30, 2020. This resolution approves the operational insurance regulations for healthcare professionals and workers in contact with the coronavirus (COVID-19). It was designed to regulate the application of Supreme Decree 4217 of April 14, 2020.

- Administrative Resolution 722 of July 30, 2020. This resolution approves the single uniform text on commercial agriculture insurance policies for summer soy in the Municipality of Cuatro Cañadas of the Department of Santa Cruz.

- Administrative Resolution 1086 of October 16, 2020. Reinstatement of administrative terms and deadlines.

- Administrative Resolution 1169 of October 30, 2020. This resolution approves the extension of the approval process for the management and sale of SOAT Management 2020 and sets exceptional terms for issuing new regulations.

- Administrative Resolution 1213 of November 16, 2020. Approves an authorization system for the management and sale of Mandatory Traffic Accident Insurance, SOAT Management 2021 and ROSETA SOAT.

- Administrative Resolution 310 of April 1, 2021. Call for the authorization of the management and sale of Mandatory Traffic Accident Insurance for Construction Workers, (SOATC).

- Administrative Resolution 314 of April 6, 2021. This resolution amends Administrative Resolution 1169/2020 and Administrative Resolution 1321/2020 for the sale of Mandatory Traffic Accident Insurance, SOAT Management 2021.

- Administrative Resolution 615 of June 24, 2021. This resolution extends terms for construction authorization and operation for prepaid health companies.

- Administrative Resolution 663 of July 1, 2021. This resolution approves the Regulation on prepaid health companies and personal insurance companies to provide prepaid health services.

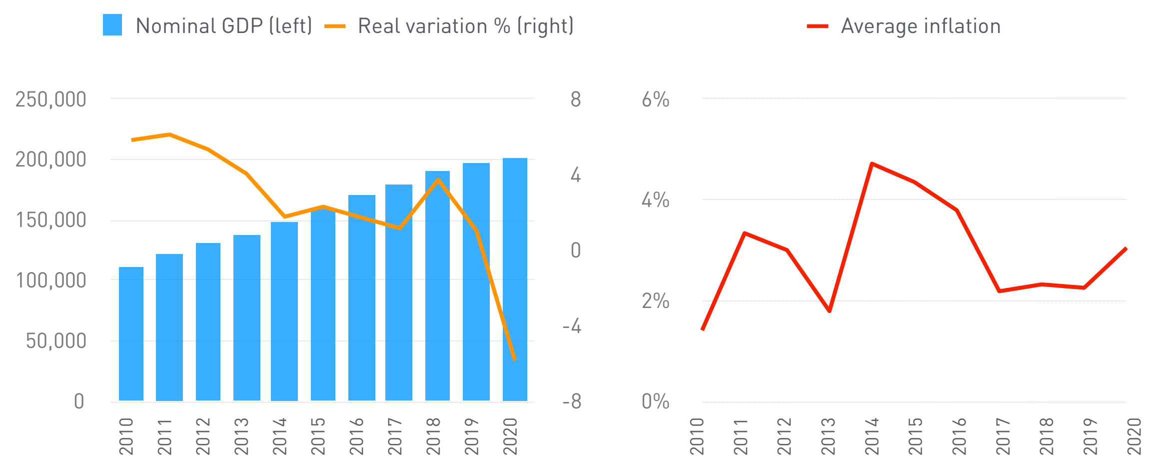
Another regulation issued due to the COVID-19 pandemic affecting the insurance industry relates to suspending administrative deadlines, suspending sending Financial Statements and Investment Reports to the regulator, keeping debtor's life and credit insurance policies effective with guaranteed subsequent payment of the premium, and suspending insurance companies' payment period for claims on said policies, among other matters.

3.2.7 Chile

Macroeconomic Environment

The Chilean economy suffered a -5.8% downturn in real terms in 2020, compared to 1% in 2019, when the economy notably decelerated compared to previous years (see Chart 3.2.7-a). The major contraction of domestic demand was caused by the effects of social distancing measures adopted in response to the COVID-19 pandemic. This environment led to a significant number of job losses with unemployment at 10.8% of the workforce (7.2% in 2019). In response to this situation the Chilean government adopted a package of expansionary fiscal aid measures for low-income people. Combined with a major effort to quickly vaccinate the population, public spending skyrocketed in a context of falling tax revenues, leading to a public deficit of 7.3% of GDP at year end 2020 (vs. 2.8% in 2019). This caused public debt to increase to 32.5% of GDP (28.2% in 2019). The ample liquidity supplied by the central bank mitigated the plummeting activity and the benchmark rate was cut twice.

Chart 3.2.7-a
Chile: Changes in Economic Growth and Inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

in 2020, from 1.5% to 0.5%, in addition to implementing other unconventional monetary policy measures to inject liquidity into the system. These measures came in addition to authorizations to withdraw some of the funds accumulated in capitalization accounts for pension fund administrators (PFA).

Average inflation recovered, reaching 3% – the central bank's target (2.3% in 2019). The exchange rate saw average depreciation -12.6% lower than the previous year. Combined with greater inflationary pressure, the economic recovery in the first half of 2021 led the central bank to raise the benchmark rate to 0.75% in July. In terms of foreign industry, the contraction of international business and the abrupt drop in the price of raw materials, particularly that of copper, resulted in a drop in exports in the first half of the year, although they later recovered and said drop in exports was offset with other kinds of products. In combination with plunging imports, this situation led to a surplus in the current account equivalent to 1.4% of GDP at year end 2020 (vs. the 3.9% deficit of the previous year).

In terms of growth projections, ECLAC expects significant economic recovery in 2021 with 9.2% growth, due to increased consumption and gross fixed capital formation, higher copper prices, the lifting of public health restrictions, and progress in the vaccination process.

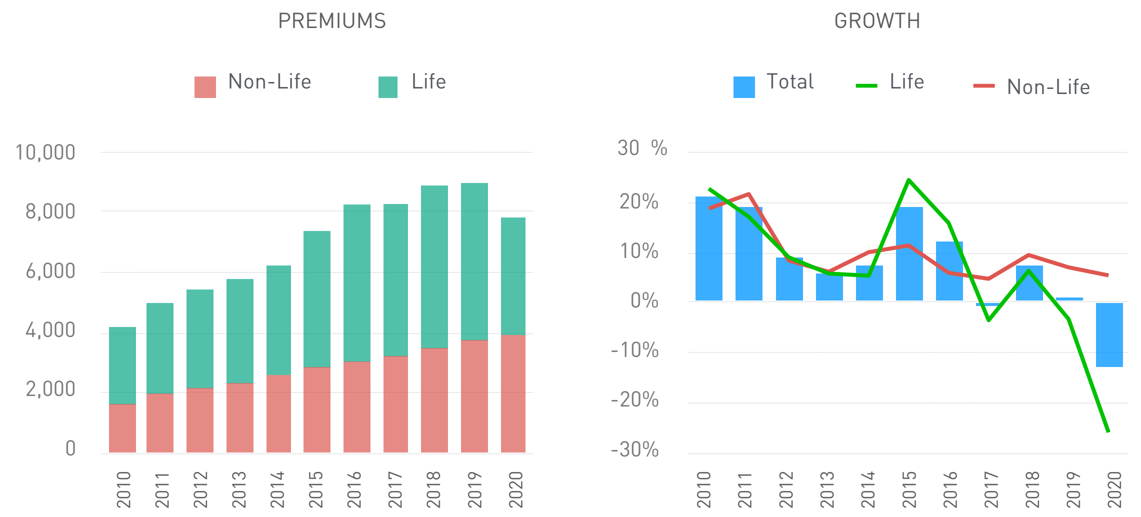
Insurance Market

Growth

In 2020, the year when the COVID-19 pandemic caused a major economic downturn, the Chilean insurance market shrank -12.7% in premium volume in nominal terms and -15.3% in real terms to 7.84 trillion pesos (9.89 billion dollars). This performance is the result of a -25.6% drop in the Life business and 5.5% growth in the Non-Life business (see Table 3.2.7 and Chart 3.2.7-b).

Negative Life insurance performance in 2020 was explained by a significant -54.7% drop in revenue due to life annuity premiums, whose accumulated a market share hit 29% in this line of business, with 1.14 trillion pesos (47% in 2019).

Chart 3.2.7-b
Chile: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

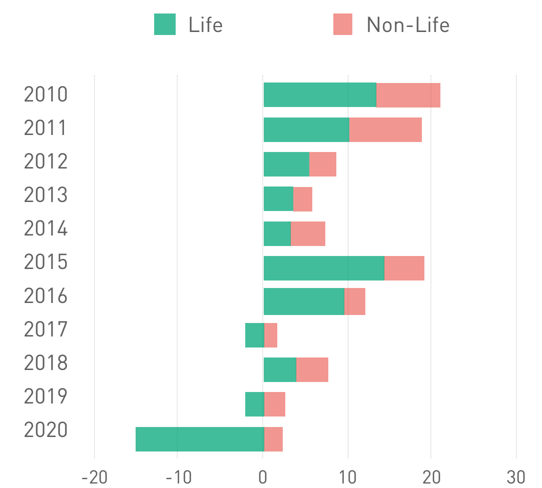
Table 3.2.7
Chile: Premium Volume[1] by Line, 2020

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**7,835,530**	**9,894**	**-12.7**	**-15.3**
Life	**3,893,325**	**4,916**	**-25.6**	**-27.8**
Individual Life	721,760	911	5.0	1.9
Group Life	735,266	928	-21.5	-23.8
Pension insurance	2,436,299	3,076	-32.5	-34.5
Non-Life	**3,942,205**	**4,978**	**5.5**	**2.4**
Fire and/or allied lines	1,273,123	1,608	29.8	25.9
Auto	816,920	1,031	-5.2	-8.0
Other lines	493,874	624	-10.8	-13.4
Health	636,407	804	3.5	0.5
Personal accident[2]	265,703	335	-13.3	-15.9
Transport	155,799	197	15.4	12.0
Third-party liability	154,986	196	14.1	10.7
Credit and/or surety	145,392	184	-2.6	-5.5

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)
1/ Direct premiums
2/ Includes Seguro Obligatorio de Accidentes Personales (SOAP—Mandatory Personal accident Insurance)

One of the main reasons for lower Life Annuity sales was that interest rates offered by pension fund administrators (PFA) for Scheduled Retirement, a product in competition with Life Annuity, were higher because of the technical interest rate set by the Superintendency of Pensions. Other types of pension insurance grew 11.9% thanks to positive performance of Disability and Survivors Insurance (DSI), which rose 19.5%. Individual Life insurance showed increases in 2020, both in nominal terms (5%) and real terms (1.9%), while group Life

Chart 3.2.7-c
Chile: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	21.1	13.6	7.6
2011	18.9	10.4	8.5
2012	8.8	5.4	3.4
2013	6.0	3.5	2.5
2014	7.3	3.2	4.1
2015	19.0	14.3	4.7
2016	12.1	9.7	2.3
2017	-0.4	-2.2	1.8
2018	7.6	3.9	3.7
2019	0.8	-1.9	2.8
2020	-12.7	-15.0	2.3

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

insurance saw revenues fall (-21.5% in nominal terms and -23.8% in real terms).

In addition to lower Life Annuity sales, it should be noted that since the start of the pandemic, relevant exceptional regulations were issued to mitigate the economic crisis arising from COVID-19. They authorized the withdrawal of up to 10% of the funds accumulated in individual capitalization accounts allocated to pensions with mandatory contributions for workers managed by pension fund administrators (PFA), leading to lower savings in individual accounts for future pensioners.

Non-Life insurance continued making positive contributions to the industry with a revenue of 3.94 trillion pesos in premiums (4.98 billion dollars), representing a nominal increase of 5.5% compared to 2019 and a real increase of 2.4%. The biggest increase occurred in Fire and allied lines insurance. With a market share of 32%, it rose 29.8%. The Auto line, on the other hand, contracted -5.2%. As Chart 3.2.7-c shows, Life insurance contributed -15 pp to the growth of the Chilean insurance industry in 2020, while Non-Life contributed 2.3 pp, explaining the -12.7% decrease overall for the industry that year.

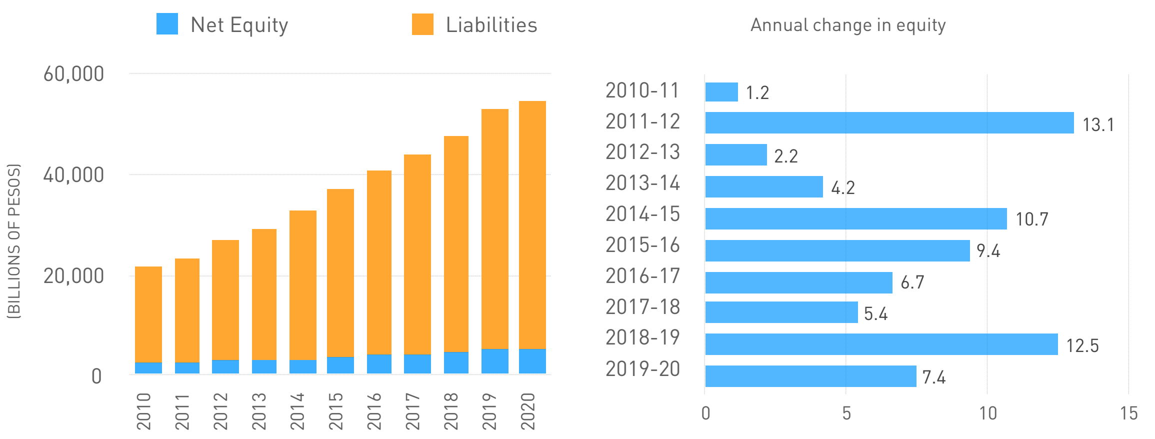
Balance Sheet and Shareholders' Equity

Chart 3.2.7-d summarizes the aggregate balance sheet at sector level for the Chilean insurance industry between 2010 and 2020. As can be seen, total assets in the industry amounted to 54.53 trillion pesos (76.61 billion dollars) at the end of 2020, while equity came to 5.52 trillion pesos (7.75 billion dollars), up 7.4% on the value reported in 2019. The capitalization level for the Chilean insurance market saw sustained increases in absolute terms over the course of the period under analysis, and in relative terms, the capitalization ratio (capital over total assets) fell after 2010, from values over 12% to 10.1% in 2020.

Investments

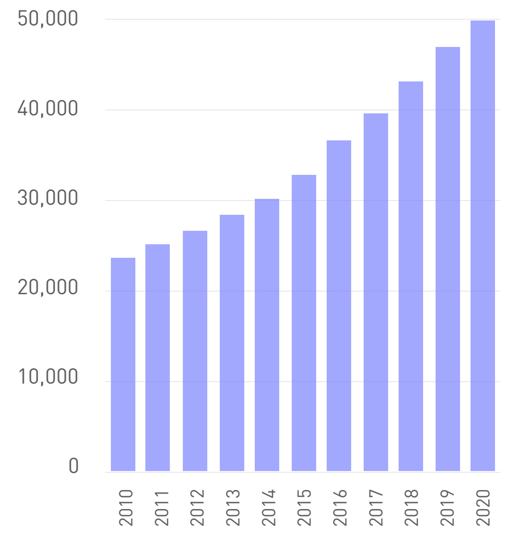
Charts 3.2.7-e, 3.2.7-f and 3.2.7-g show the performance and composition of the aggregate investment portfolio at sector level for the Chilean insurance industry between 2010 and 2020. As these data show, in 2020 total investment for the industry reached 49.72 trillion pesos (69.86 billion dollars), with 56.5% allocated to fixed income, while equity instruments accounted for a significantly

Chart 3.2.7-d
Chile: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-e
Chile: Insurance Market Investments
(billions of pesos)



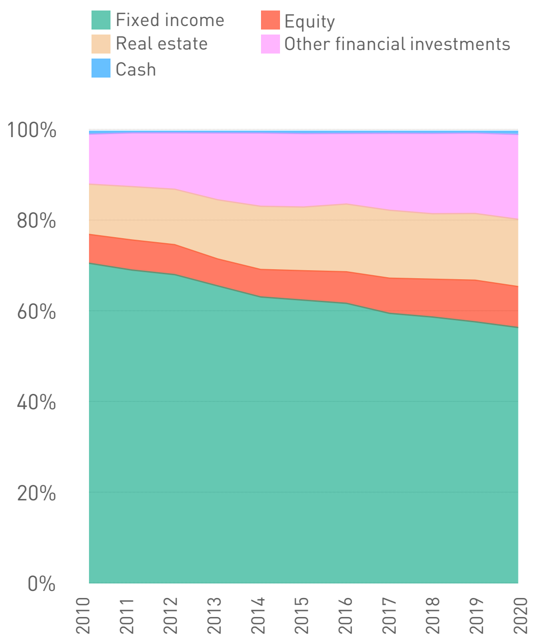
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

smaller portion with 9.0%. As noted in previous versions of this report, investments in fixed income instruments lost relative weight in total investments over the period analyzed, dropping from 70.7% in 2010 to 56.5% in 2020. Conversely, real estate investments and other financial investments increased their share, each going from around 11% of the portfolio in 2010, to 14.8% and 18.7%, respectively, in 2020.

Technical provisions

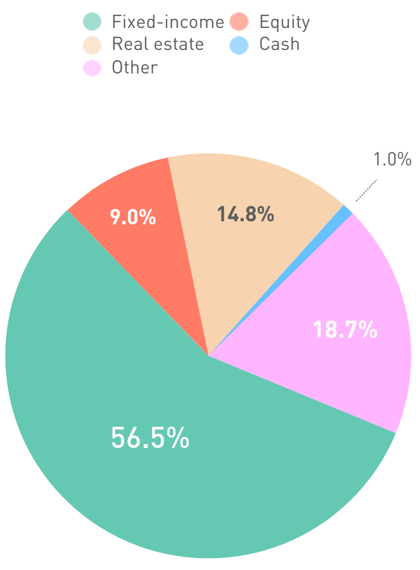
Charts 3.2.7-h, 3.2.7-i, and 3.2.7-j show the relative composition and performance of the Chilean insurance industry's technical provisions over the 2010-2020 period. As the charts show, technical provisions in 2020 amounted to 45.86 trillion pesos (64.4 billion

Chart 3.2.7-f
Chile: Structure of Investments
(%)



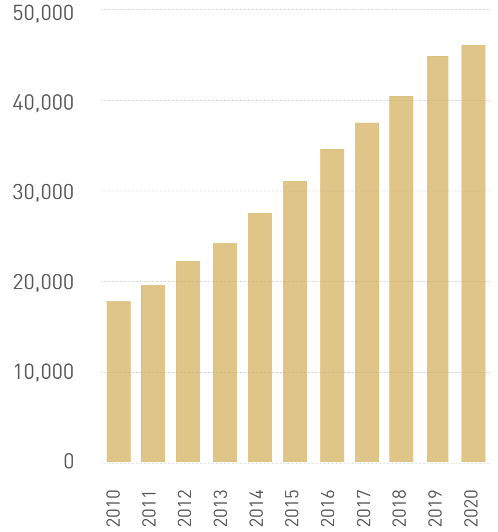
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-g
Chile: Structure of Investment, 2020
(%)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-h
Chile: Technical Provisions of the Insurance Market
(billions of pesos)



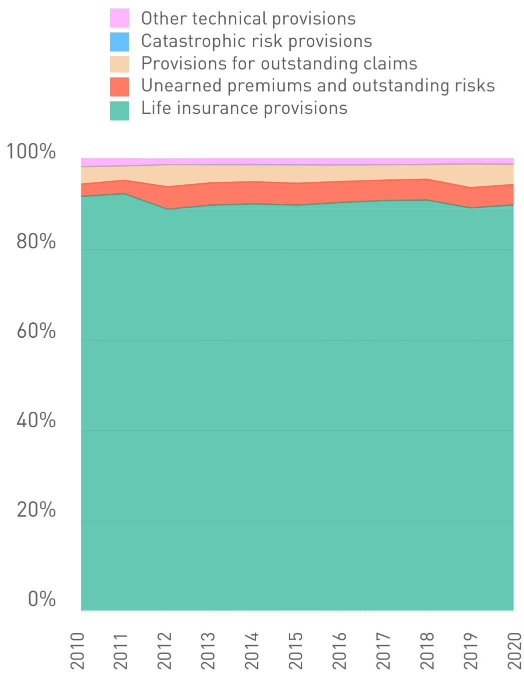
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

dollars); 89.8% of the total corresponded to Life insurance provisions, 4.5% to the provision for unearned premiums and unexpired risks in Non-Life insurance, 4.5% to the provision for outstanding claims, 0.03% to the catastrophic risk provision, and the remaining 1.2% to other technical provisions. Notably, there was a slight increase in the relative weight of Non-Life insurance over the course of the period under analysis, going from 2.7% in 2010 to 4.5% in 2020, though it remained low with a significant portion going to technical provisions connected with Life insurance, especially life annuity insurance associated with the Chilean pension system.

Technical performance

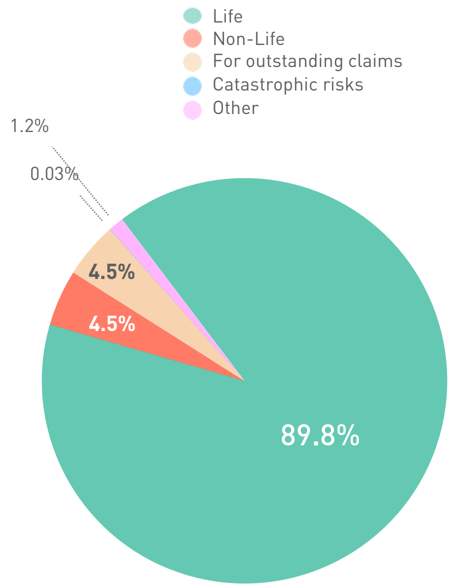
The consolidated technical result for the Chilean insurance industry remained in negative territory in 2020 despite the 8 pp improvement in the combined ratio to 118.3% (see Chart 3.2.7-k). This improvement was due to the 10.5 pp decrease in the loss ratio and a

Chart 3.2.7-i
Chile: Structure of Technical Provisions
(%)



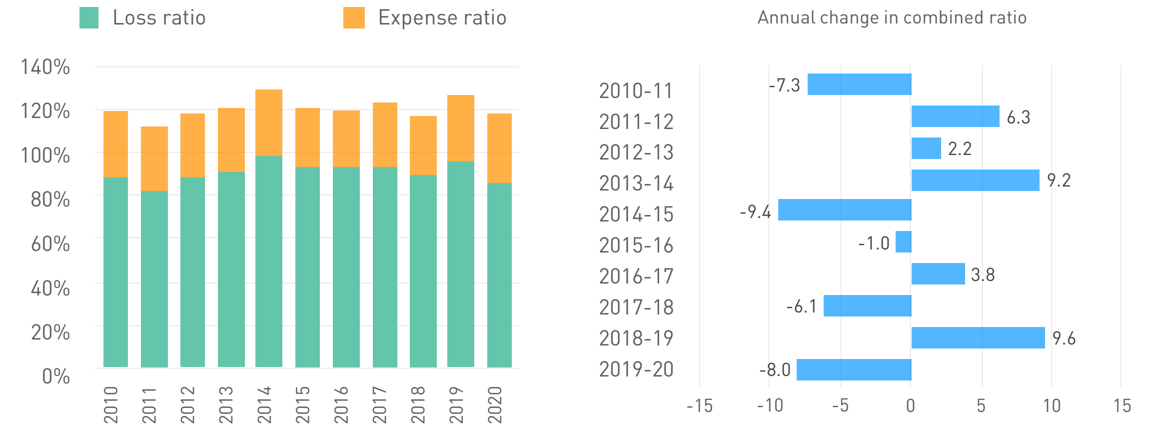
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-j
Chile: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-k
Chile: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



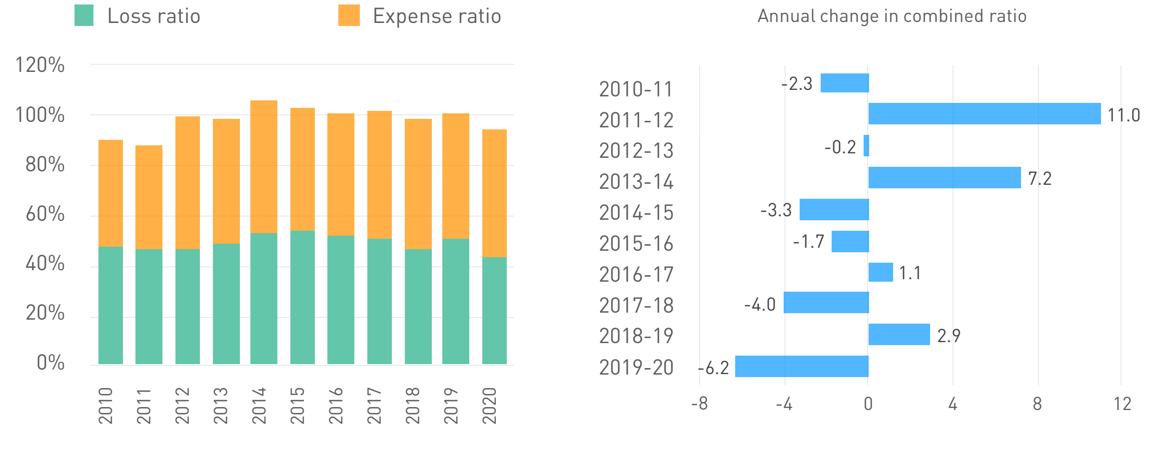
Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

2.5 pp rise in the expense ratio. A similar situation occurred with the technical performance of companies operating in the Non-Life segment, which fell 6.2 pp vs. the previous year to 94.7% in 2020 (see Chart 3.2.7-l). This performance was influenced by a lower loss ratio (43.1% vs. 50.9%) and a higher expense ratio (51.6% vs. 50%).

Results and Profitability

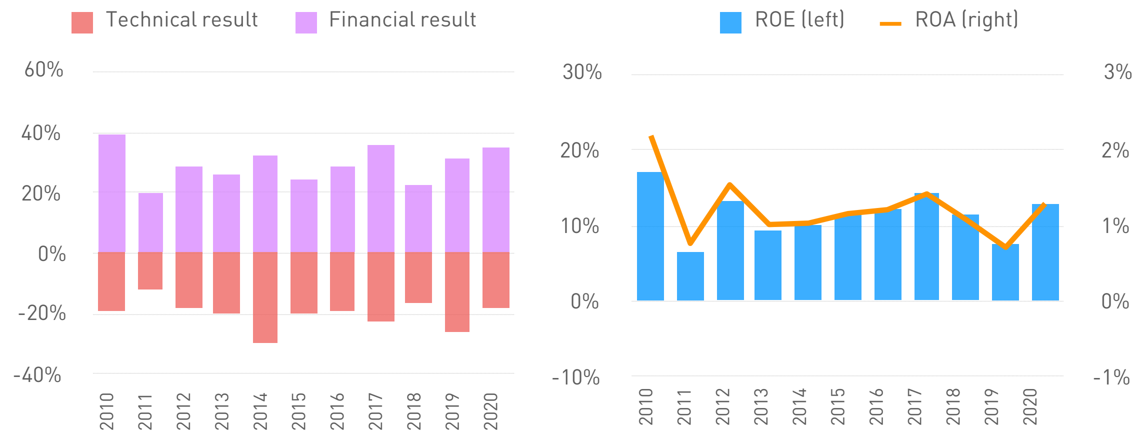
In addition to an enhanced financial result, an improved technical result helped increase the net result of the Chilean insurance industry in 2020 to 704 trillion pesos (889 million dollars), 86% more than in 2019. An analysis of Chart 3.2.7-m reveals that the positive net result obtained by the Chilean insurance industry over the course of practically the entire period analyzed was the product of financial results

Chart 3.2.7-l
Chile: Changes in Non-Life Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

Chart 3.2.7-m
Chile: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

that offset the negative technical results. In terms of the profitability of the Chilean insurance industry, return on equity (ROE) was around 12.8% in 2020, up 5.4 pp vs. the previous year. Return on assets (ROA) also saw a slight increase of 0.6 pp from the previous year, standing at 1.3% in 2020.

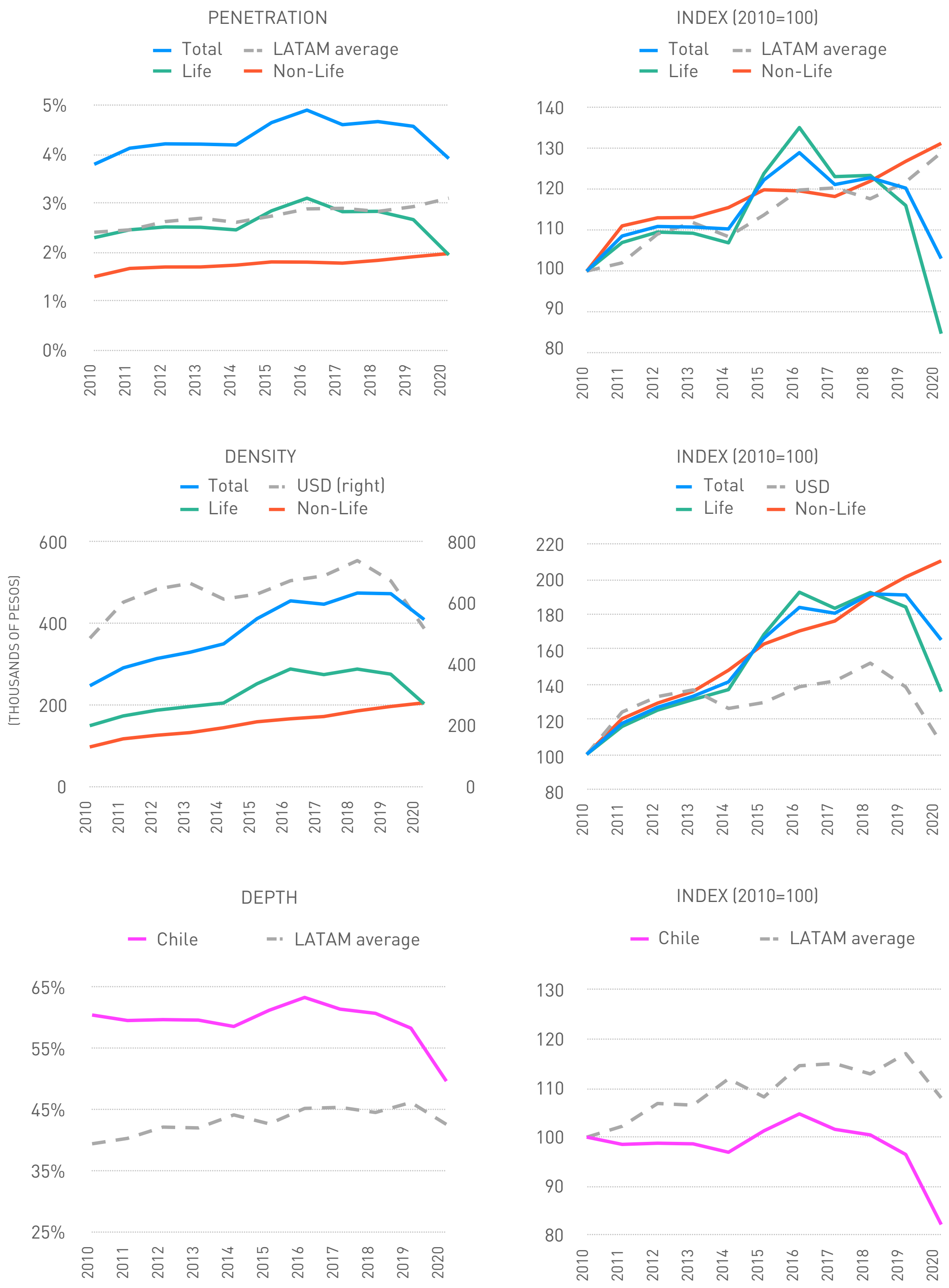
Insurance penetration, density and depth

Chart 3.2.7-n shows the major structural trends in the Chilean insurance industry over the last decade. After Puerto Rico, Chile's penetration rate (premiums/GDP) is the highest in Latin America. Nevertheless, the indicator fell -0.7 pp vs. the previous year to 3.9%, a slight increase of 0.1 pp vs. 2010. As said chart indicates, the penetration rate in the Chilean market followed an upward trend from 2010 until 2016, in line with the average for the Latin American insurance market as a whole and above the absolute values for the regional average; however, from 2017 on, this trend appears to have reversed, due to a loss of momentum in the performance of the Life insurance segment, particularly that corresponding to life annuity.

The insurance density index (premiums per capita) in Chile fell in 2020 to 409,889 pesos (518 dollars), -13.4% less than the value recorded in 2019 (473,462 pesos). Density in the Chilean insurance market (measured in local currency) showed an upward trend over the 2010-2018 period, with dips in 2017, 2019, and 2020. It should be noted that the high density level in the Chilean market was largely determined by the participation of the private insurance industry in the pension system through the provision of life annuities.

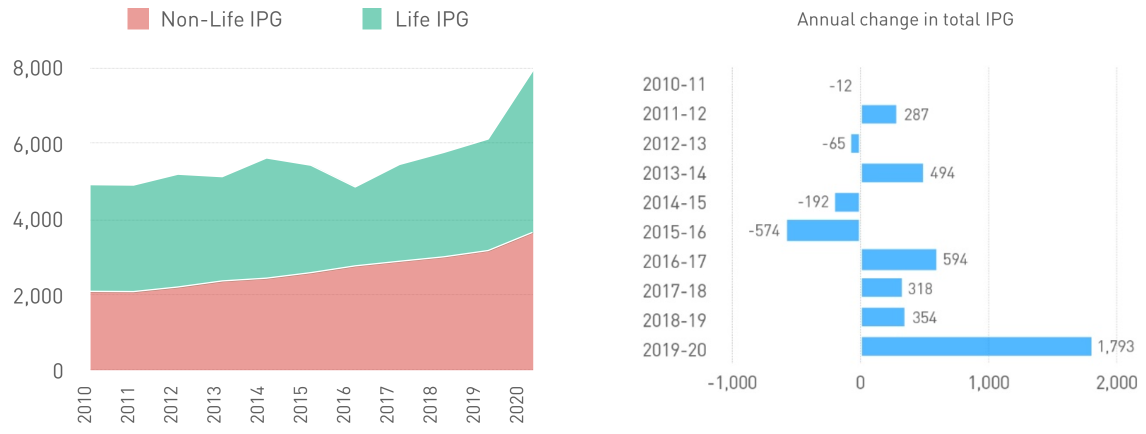
Lastly, depth (Life insurance premiums in relation to total premiums) recorded a decline of -8.7 pp to 49.7% in 2020, due to both the growth of the Non-Life segment and to the contraction of the Life segment. This is still well above the average of Latin American insurance markets and is only surpassed by Brazil. However, as in the case of penetration, the depth coefficient shows a declining trend from 2017, when it diverged from the average of the region's insurance markets.

Chart 3.2.7-n
Chile: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market and the Chilean Insurance Association)

Chart 3.2.7-o
Chile: Insurance Protection Gap
(billions of pesos)

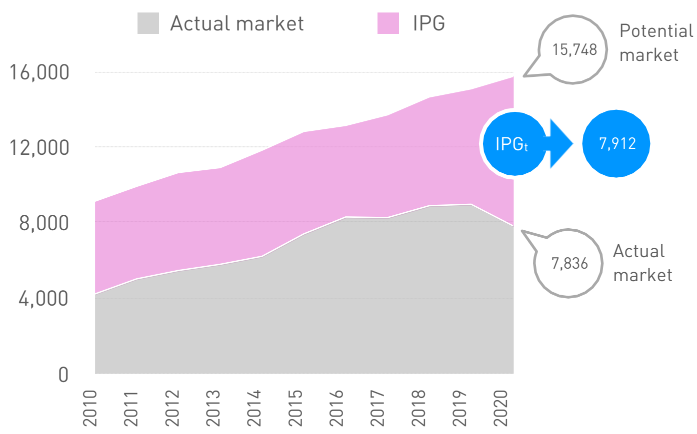


Source: MAPFRE Economics

Estimation of the Insurance Protection Gap

Chart 3.2.7-o shows an estimate of the insurance gap for the Chilean insurance market between 2010 and 2020. The insurance gap in 2020 stood at 7.9 trillion pesos (9.99 billion dollars), the size of the actual insurance market in Chile at the close of that year. As previous analyses indicated, the structure and performance of the IPG in the period under analysis shows relative balance between the contributions of Life and Non-Life insurance, although the decline in Life revenue in 2020 did facilitate the gap in that line of business. Thus, at year end 2020, 53.8% of the IPG corresponded to Life insurance (4.26 trillion pesos), a significant 50.8% increase, compared to the level seen in 2010. The remaining 46.2% related to the gap in the Non-Life insurance segment (3.65 trillion pesos). Thus, the potential insurance market in Chile at year end 2020 (measured as the sum of the actual market plus the IPG) was estimated at 15.75 trillion pesos (19.88 billion dollars),

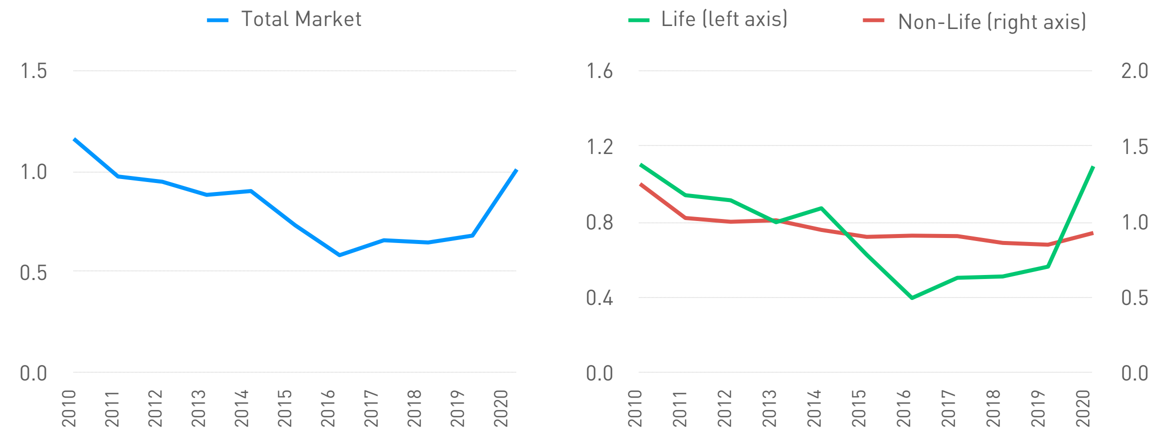
Chart 3.2.7-p
Chile: Insurance Protection Gap and Potential Market
(billions of pesos)



Variation	Actual market	IPG
2020-2010	85.3%	61.0%
2020-2019	-12.7%	29.3%

Source: MAPFRE Economics

Chart 3.2.7-q
Chile: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)



Source: MAPFRE Economics

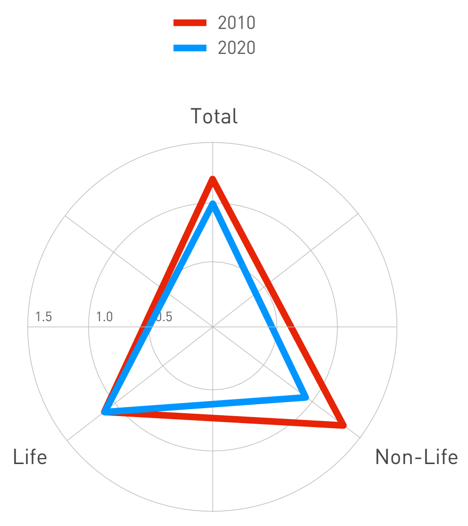
twice the size of the total insurance market in Chile that year (see Chart 3.2.7-p).

Chart 3.2.7-q shows an estimate of the insurance gap as a multiple of the actual insurance market in Chile. There was a general downward trend in the IPG throughout the period under analysis. As such, the total insurance gap fell from 1.2 to 1 times the size of the actual market during this time. However, the change in trend from 2017 onwards is once again noteworthy, as the indicator increased from 0.6 to 1 times during the 2016-2020 period. Similarly, the multiple of the Life market showed decreases in the 2010-2016 period, falling from 1.1 to 0.4 times, however, in the last few years the indicator rose to the same number of times the size of the market as it had at the beginning of the decade (1.1). In the Non-Life insurance segment, the indicator clearly decreased until 2019, going from 1.3 times in 2010 to 0.8 in 2019 with a slight increase in 2020 (0.9 times).

Complementing this analysis, Chart 3.2.7-r shows changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Chilean insurance market, comparing the situation in 2020 with that of 2010. There were improvements over this period of time in the Non-Life insurance business and the Life insurance business stagnated after losing momentum in this market over the last few years.

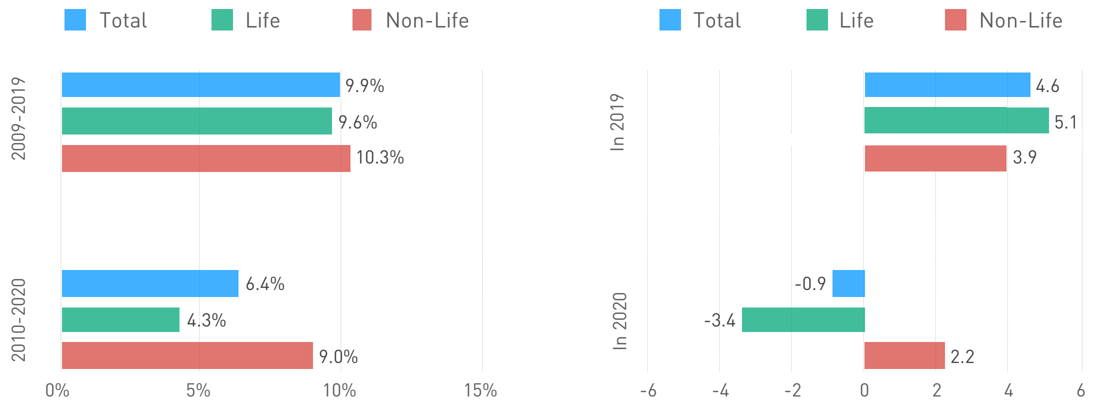
Chart 3.2.7-s summarizes the assessment of the Chilean insurance market's capacity to bridge the insurance gap estimated in 2020, using a comparative analysis between the

Chart 3.2.7-r
Chile: Changes in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.2.7-s
Chile: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)

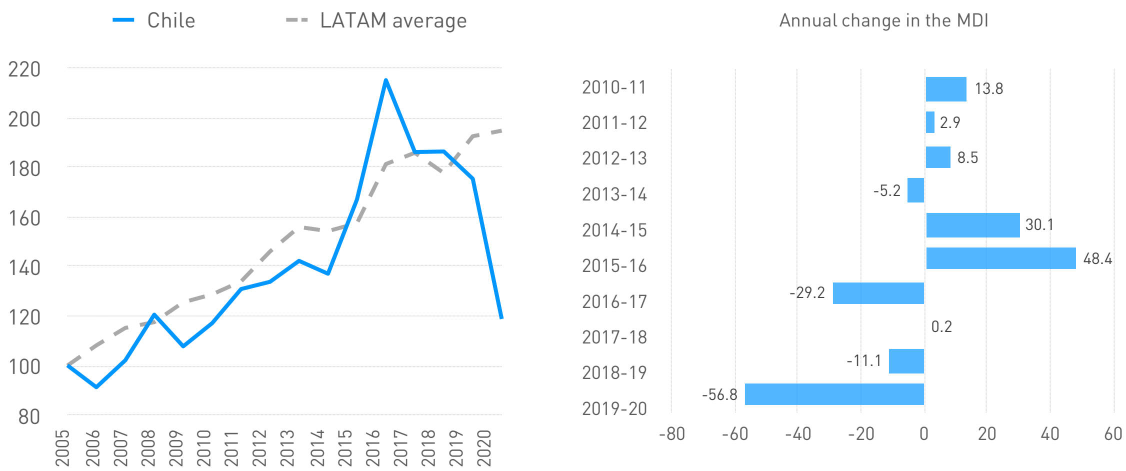


Source: MAPFRE Economics

growth rates recorded over the last 10 years vs. the growth rates that would be necessary to close the IPG over the next decade. This confirms that the country's insurance market grew at an average annual growth rate of 6.4% between 2010 and 2020, while the Life and Non-Life segments grew at a rate of 4.3% and 9.0%, respectively.

Given the relative development of the Chilean insurance market, the analysis indicates that were the same growth rate seen over the last 10 years to continue, the insurance market's growth rate would be sufficient to bridge the Non-Life insurance gap, but it would fall -3.4 pp short for the Life insurance business.

Chart 3.2.7-t
Chile: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Market Development Index (MDI)

The updated estimate of the Market Development Index (MDI) for the Chilean insurance industry is shown in Chart 3.2.7-t. The MDI, an indicator used to measure the overall trend in the development and maturity of the insurance market, showed a generally positive trend until 2016, when it began to fall and did so abruptly in 2020, impacted to a large extent by the downturn experienced in the Life insurance segment that year as a result of the economic situation caused by the pandemic, the low interest rate environment, and the particular situation of the life annuity segment, which accelerated the fall of this business segment's already dropping indicator.

Comparative analysis of structural coefficients

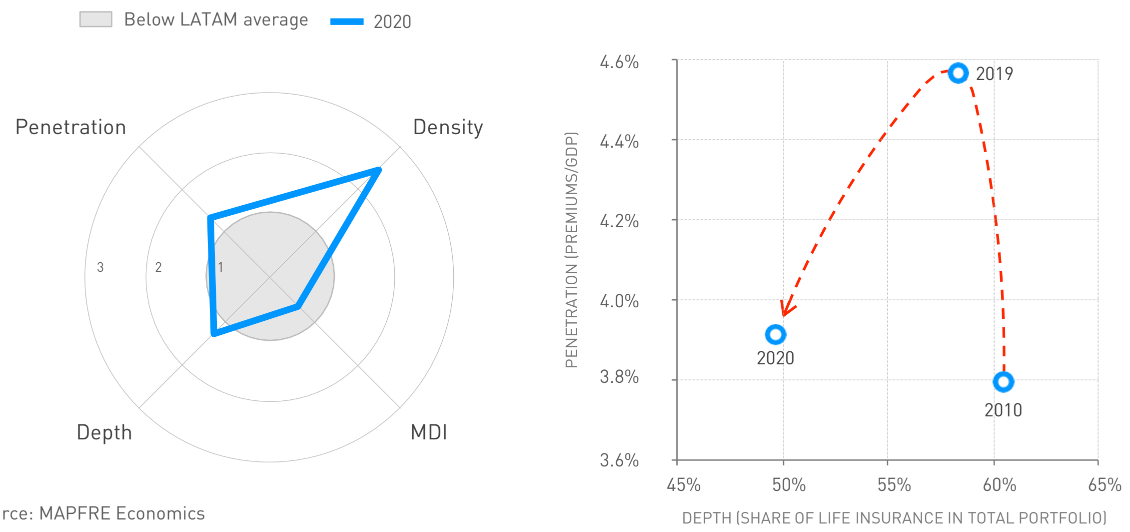
Chart 3.2.7-u provides a summary of the situation of the Chilean insurance market compared to the Latin American average in terms of the four structural coefficients analyzed above. These data confirm that the situation in the Chilean insurance market continues to be above the Latin American average, except when it comes to the MDI, which deteriorated over the last two years below the average for the insurance markets in the region. The dispersion analysis shown in the aforementioned chart shows that, over the 2010-2018 period, the Chilean insurance industry had been showing balanced development, characterized by improvements in both penetration levels and depth levels. However, this trend reversed in 2019, when both indicators saw a contraction that continued in 2020.

Insurance Market Rankings

Overall ranking

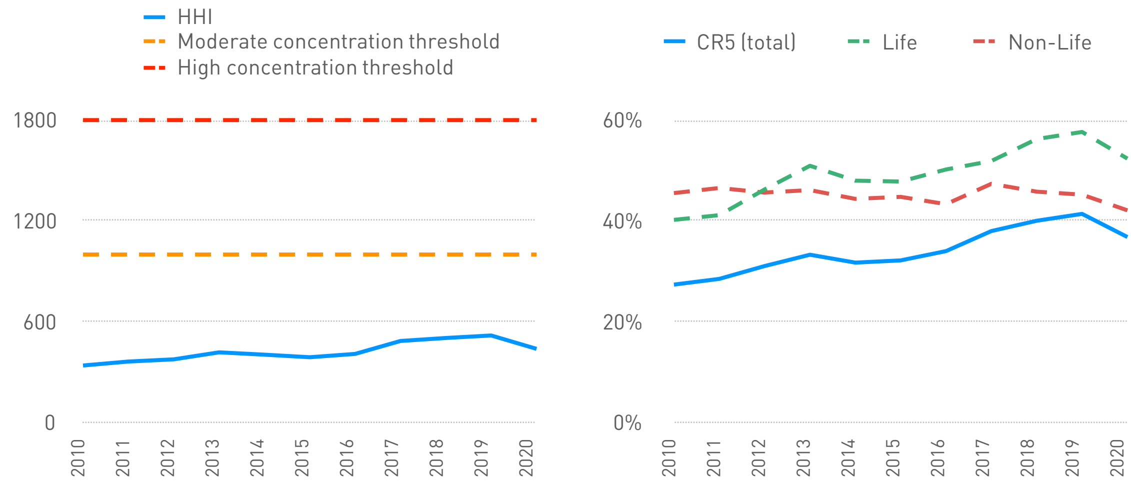
There were 34 General P&C insurance companies and 35 Life insurance companies operating in the Chilean insurance market in 2020. Chart 3.2.7-v shows the concentration indicators for the Chilean insurance industry over the decade under analysis. The Herfindahl index points to a less concentrated industry,

Chart 3.2.7-u
Chile: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.2.7-v
Chile: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)

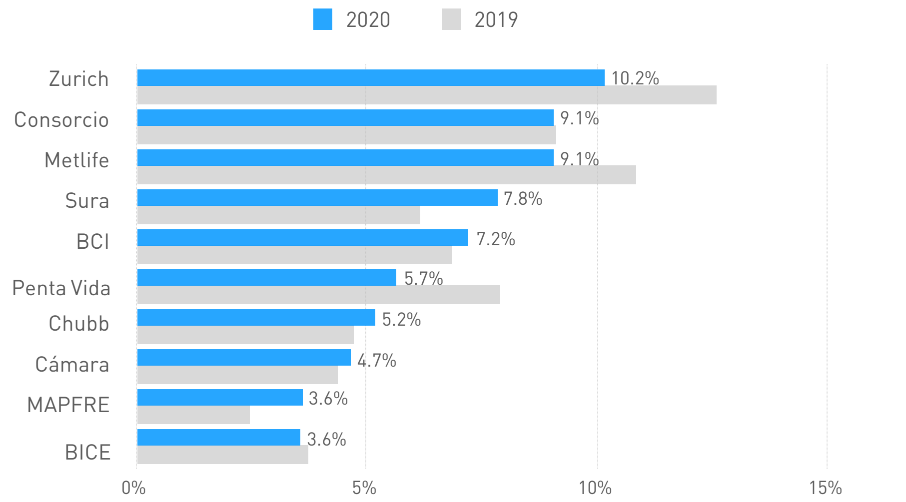


Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

falling below the threshold indicating moderate concentration, although it has been rising since 2016. The CR5 (market participation of the top five insurance companies) confirms a stable trend over the course of the period. As said chart shows, the Non-Life business has been losing concentration and has been below the Life insurance business since 2012.

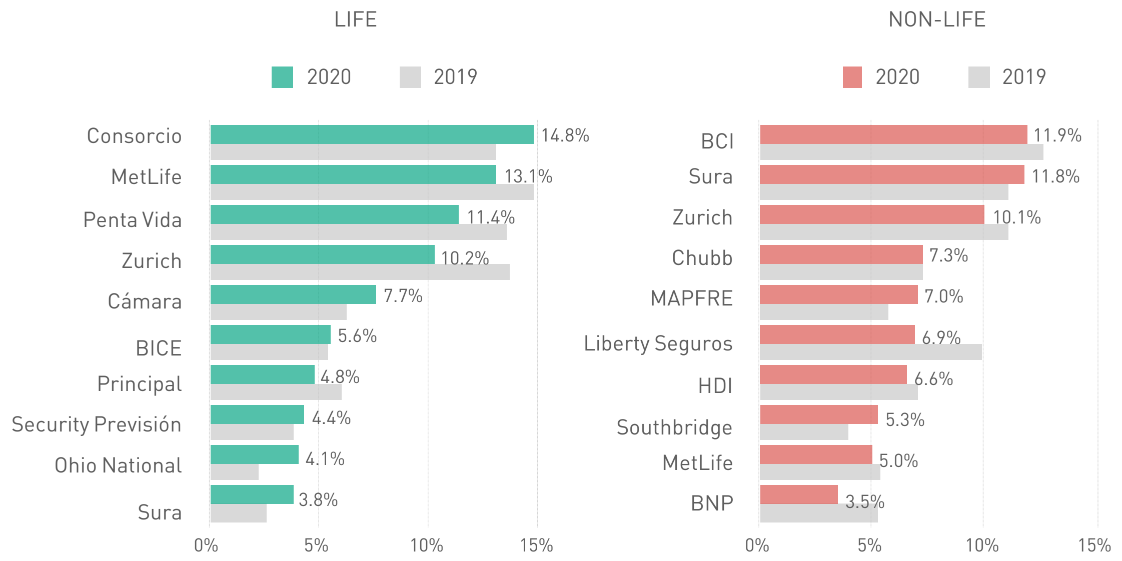
In terms of the overall insurance group ranking for 2020, Zurich remained the leader with a market share of 10.2%. It is followed by Consorcio, which surpassed MetLife and left it in third place, with both reaching a market share of 9.1%. Sura climbed two places to fourth, followed by BCI, which stayed in fifth, and Penta dropped from fourth to sixth. Of the rest of the movements on the ranking,

Chart 3.2.7-w
Chile: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

Chart 3.2.7-x
Chile: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

MAPFRE notably rose from fifteenth to ninth, and BICE entered the ranking in tenth place (see Chart 3.2.7-w).

Non-Life and Life rankings

The 2020 Non-Life ranking was led by BCI with a market share of 11.9%. It is followed by Sura, which climbed one place in the classification taking third place from Zurich. Chubb climbed one place to fourth while MAPFRE climbed two to fifth. Conversely, Liberty dropped two places and HDI fell one to sixth and seventh place, respectively. In the last three places on the ranking, the major change was Southbridge's rise from tenth to eighth, causing MetLife and BNP Paribas Cardif to fall from ninth to tenth place.

In the 2020 Life ranking, on the other hand, there was quite a bit of shifting. Climbing three places, Consorcio is now in the lead with a market share of 14.8%, followed by MetLife, Penta, and Zurich, which held first, third, and second place, respectively. Cámara stayed in fifth and was followed by BICE, which rose one place, relegating Principal to seventh place. At the bottom of the ranking, we should highlight Ohio and Sura's entry into the ranking, taking ninth and tenth place after climbing five and two positions, respectively (see Chart 3.2.7-x).

Key Regulatory Aspects

The *Comisión para el Mercado Financiero* (CMF - Commission for the Financial Market) is in the process of gradually aligning with international insurance industry regulatory best practices. A number of new regulations have been issued in recent years in this regard. In October 2020, the Council of the Commission approved Resolution No. 4694 to initiate a plan to gradually transition from an industry-based supervisory scheme to a model supported by the two major CMF pillars: Prudential and Market Conduct. The new organizational structure, known internationally as Twin Peaks, incorporates International Monetary Fund (IMF) recommendations into the guidance given to the Commission in 2018, in addition to the comparative experience of financial regulators around the world from countries including in the United Kingdom, Ireland, Australia, and New Zealand, among others. With this change, CMF aims to continue reaping the benefits of its comprehensive and expanded scope, leading to the merging of SBIF and CMF, due to the Amendment of the General Banking Act, Law No. 21,130, published January 12, 2019.

Despite the Draft Bill establishing a Risk-Based Supervision (RBS) model for the insurance industry in Chile not advancing in congress, the CMF has continued working on implementing Pillar 1 (regulatory) and Pillar 2 (oversight) of the new RBS model. Advances have been made both in the development of a Risk-Based Capital (RBC) methodology, and in the application of the Risk Matrix, which has led to fulfillment of one of the objectives of the new supervision model: incentivize insurance companies to develop and strengthen risk management processes.

Five Risk-Based Capital (RBC) methodology documents published by the CMF should be highlighted. Seven quantitative impact studies (QIS) have already been performed and an eighth is in progress. Its results must be reported by insurance companies in late 2021. It is worth mentioning that a sixth version of the above-mentioned document will be published for comment soon. This, in addition to the application of Risk Matrix audits that all insurance companies have been subjected to, is what has allowed the CMF to acquire more experience in implementing the model by adjusting its methods and the scope of the job.

The effects of the unprecedented health emergency caused by the COVID-19 pandemic were felt around the world in 2020. Global growth contracted significantly, explained by travel restrictions implemented by the vast majority of countries to contain the spread of the virus. Thus, the CMF adjusted its Insurance Regulation Plan accordingly.

The list below contains the regulations issued and put up for consultation in 2020 and thus far in 2021:

- Circular No. 2251, issued 4/22/2020. Addressed to Property & Casualty Insurance Companies. Amendment to Circular No. 2,236, establishing standards for sending information on the motor vehicle repair process. It perfects the definition of damage scale categories, defines the concept of a repair shop, provides specifications to report the total number of insurance parties, and transfers the entire description of fields, the conceptualization thereof, their formats, and structure, to a Technical Appendix within the online information delivery system (SEIL) module.

- General Standard No. 442, issued 6/5/2020. Addressed to Life Insurance Companies. It amends General Standard No. 243, establishing instructions for the constitution of technical reserves in disability and survivor insurance. The primary objective of the amending standard is to increase the maximum reinsurance deduction on technical reserves from 40% to 60%.

- General Standard No. 444, issued 6/19/2020. Addressed to Life Insurance Companies. It amends General Standard No. 234, establishing instructions for purchasing disability and survivors insurance. The main goal of the amending regulation is to limit the annual premium rate readjustment mechanisms for 12-month contracts to a maximum of three readjustments after the third month said contract is effective.

- Circular No. 2259, issued 6/8/2020. Addressed to Insurers and Mutual Insurance Companies providing fire risk coverage in Chile. Circular establishing the standards on filing Financial Statements for the amount furnished to fire brigades by insurance companies and mutual insurance companies. It repeals Circular No. 1829, of 1/29/2007. This new Circular updates the instructions on how to account for the firefighter contribution to prevent confusion for companies earning revenue on the sale of fire insurance. To improve oversight, it requires balances to be revealed even if they are under 5%, as stipulated in Circular No. 2022.

- General Standard No. 445, issued 8/28/2020. Addressed to Life Insurance Companies. The new regulation (General Standard No. 445), amending General Standard 209 on the Asset Sufficiency Test (TSA), sets out a number of refinements for the current TSA calculation, notably including: i) a new methodology for the discount rate vector (VTD), aligning it with international best practices; ii) An increase in the maximum amount of assets that insurance companies can include in the TSA; and iii) Adjustments to how asset flows included in the TSA are treated, including modifications to the adjustment for credit risk and prepayment applied to some assets included in the test.

- General Standard No. 446, issued 8/28/2020. Addressed to Life Insurance Companies. It amends General Standard No. 318 on the constitution of technical reserves for pension insurance, amending how the VTD is calculated for the discount in new life annuity policies at the time the technical reserve is created, consistent with the provisions of General Standard No. 445. The goal was also to align said methodology with international best practices.

- Circular No. 2271, issued 9/21/2020. Addressed to Insurance Sales Assistants. The new regulation establishes standards on the way to accredit insurance sales knowledge and registration with the insurance sales assistant registry as a property and casualty insurance and life insurance broker or claims handler, repealing Circular No. 1679 and Official Memorandum No 863. The above was implemented to modernize the regulations and make them more flexible to make the accreditation process quicker and more efficient. It also provides greater freedom for knowledge accreditation planning and includes e-learning courses, giving participants more flexibility.

- General Standard No. 2275, issued 10/19/2020. Addressed to Insurance and Reinsurance companies. The regulations, which enter into force for January 2021 reporting, seek to increase the frequency of financial and solvency reporting provided by companies from once per quarter to once per month, pursuant to the provisions of Circular No. 2022, albeit in condensed form, replacing the requirements of Official Memorandum No. 479. The main objective of the new regulation is to increase the CMF's capacity to apply a preventive and forward-looking approach, allowing it to promptly monitor insurance companies' performance and anticipate any potential solvency problems these companies may have.

- Regulation on the implementation of accounting standard IFRS 17 in the Chilean insurance market, which was put up for public consultation from 1/12/2021 to 5/12/2021. Addressed to Insurance and Reinsurance Companies. The proposed regulation is about the implementation of the IFRS 17 reporting standard in the Chilean insurance market. The goal of the regulatory body is to modernize technical reserves regulations, aligning them with international best practices and principles applicable in insurance markets of reference to Chile, in turn encouraging better risk management. In addition, the implementation of IFRS 17 is expected to improve the transparency of the information insurance companies report in their financial statements. The CMF asked companies for information on the impact assessment of the application of said standard on insurance and reinsurance companies. It must consider December 31, 2020 as the date of analysis and be sent no later than August 31 of the current year.

- General Standard No. 453, issued 4/30/2021. Addressed to Insurance and Reinsurance Companies. It amends General Standard No. 323, which provides instructions on the determination of risk capital, equity, and the obligation to invest, adjusting financial debt to a maximum of 1.5 times compared to the current amount of one time, which reinsurance companies can access until April 30, 2022. The above-mentioned amendment also temporarily adjusts the risk capital requirement associated with financial debt for the latter group of insurance companies (life insurance), envisaged in letter a) of title No. 1 of General Standard No. 323.

- General Standard No. 454, issued 5/18/2021. Addressed to Insurance and Reinsurance Companies. The regulation provides operational and cybersecurity risk management instructions, as well as sets out periodic self-assessments in both areas in insurance and reinsurance companies. The objectives include i) Strengthening the oversight currently performed by the CMF in this regard; ii) Establishing the operational and cybersecurity risk principles and concepts that insurance companies must consider in their risk management; iii) Having a self-assessment process for companies to use as a diagnostic tool; and iv) Establishing the requirement for insurance companies to report operational incidents to this Commission in due course, so that they can take note of it and act accordingly.

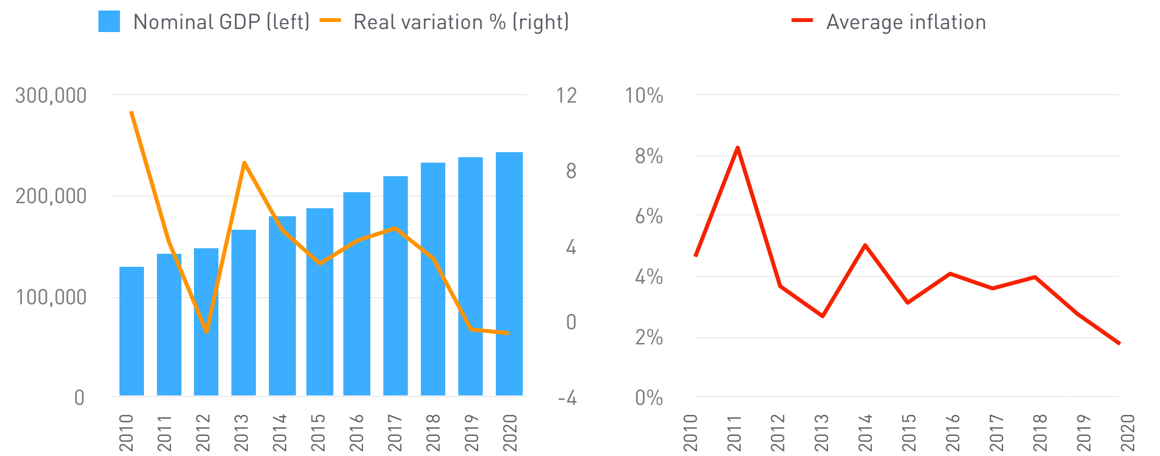
3.2.8 Paraguay

Macroeconomic Environment

The economy of Paraguay suffered a real contraction of -0.6% of its GDP in 2020 as a result of the pandemic, in contrast with the -0.4% dip the year before, in a context when its economy was already slowing down (see Chart 3.2.8-a). It is one of the smallest drops among economies in the region, despite the tough economic outlook caused by the COVID-19 pandemic. Unemployment affected 7.7% of the workforce in the country in 2020 (6.6% in 2019).

In response to this situation, the government of Paraguay implemented a broad package of fiscal aid measures for low-income people and companies. This increased the fiscal deficit, which at year end 2020 rose to 6.2% of GDP (2.8% in 2019). The fiscal deficit was financed by issuing sovereign bonds and receiving multilateral financing, notably including loans from the World Bank and the International Monetary Fund, lifting total public debt to 33.6% of GDP at year end (22.7% in 2019).

Chart 3.2.8-a
Paraguay: Changes in Economic Growth and Inflation
(GDP in local currency, billions of guaranies; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF data)

The Central Bank of Paraguay expanded the already expansionary monetary policy it had begun to implement, reducing its benchmark rate between March and June from 4% to 0.75%. Other unconventional monetary policies were also adopted including decreasing reserve requirements to expand lending and creating a special credit facility for small and medium-sized enterprises. Cumulative inflation in 2020 compared to the month of December the previous year was 2.2%, vs. the 4.0% registered one year earlier, a level still under the monetary policy limit (4%). The average exchange rate depreciated 8.5% compared to the previous year.

Paraguay's GDP is expected to grow 4.1% in 2021, according to ECLAC estimates, based on the economy's recent momentum. The surplus in the current account for foreign industry is expected to increase due to the relative recovery of foreign demand. Finally, in terms of public finance, the central government's fiscal deficit is expected to decrease.

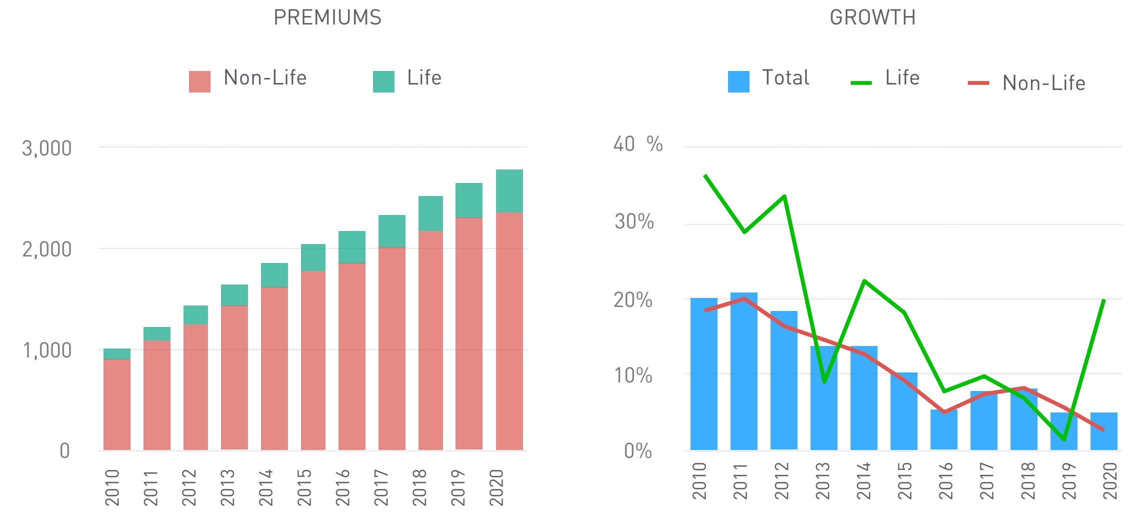
Insurance Market

Growth

Paraguayan insurance market premiums (annualized at December 2020) reached 2.79 trillion guaranies (412 million dollars) in 2020, representing nominal growth of 5.0% and real growth of 3.2% (see Chart 3.2.8-b and Table 3.2.8). Life insurance premiums, which made up 15.5% of the total market, grew 20.0% in nominal terms (17.9% in real terms) to 431.55 billion guaranies (64 million dollars), while Non-Life insurance premiums, accounting for the remaining 84.5%, grew 2.7% in nominal terms (0.9% in real terms) to 2.36 trillion guaranies (348 million dollars). All insurance modalities grew in nominal terms, except for Auto (-2.1%) and Theft (-2.9%). The lines of business with the largest increases were Miscellaneous Risks (13.5%) and Transport (12.1%).

Thus, Life insurance accounted for more of the 5.0% nominal growth registered by the

Chart 3.2.8-b
Paraguay: Growth Developments in the Insurance Market
(premiums, billions of guaranies; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Table 3.2.8
Paraguay: Premium Volume[1] by Line, 2020

Line	Millions of guaranies	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**2,791,067**	**412**	**5.0**	**3.2**
Life	**431,545**	**64**	**20.0**	**17.9**
Non-Life	**2,359,522**	**348**	**2.7**	**0.9**
Auto	1,215,056	179	-2.1	-3.8
Other lines	208,591	31	15.0	13.0
Fire	212,797	31	5.3	3.4
Miscellaneous risks	255,516	38	13.5	11.6
Transport	119,710	18	12.1	10.2
Theft	65,028	10	-2.9	-4.5
Surety	112,566	17	4.6	2.8
Third-party liability	95,385	14	0.7	-1.0
Personal accident	74,873	11	4.8	3.0

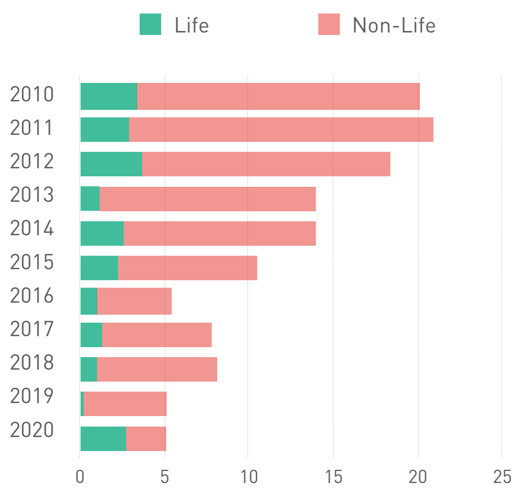
Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)
1/ Direct premiums net of cancellations plus administrative surcharges

Paraguayan insurance industry in 2020, with a 2.7 pp contribution, while the Non-Life insurance segment contributed 2.3 pp (see Chart 3.2.8-c).

Balance Sheet and Shareholders' Equity

Chart 3.2.8-d shows changes in the Paraguayan insurance industry's aggregate balance sheet over the last decade. These data indicate that the industry's total assets in 2020 stood at 4.40 trillion guaranies (637 million dollars), while equity came to 1.78 trillion guaranies (258 million dollars), nearly 13.1% above the level observed in 2019. As regards the aggregate capitalization levels in the Paraguayan insurance industry remained high throughout the period. In 2010, equity stood at 32.6% of

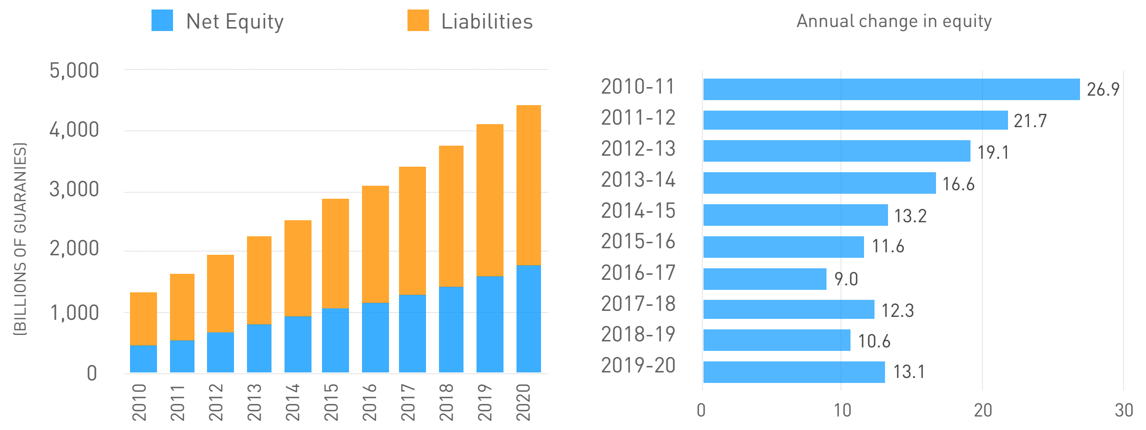
Chart 3.2.8-c
Paraguay: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2010	20.1	3.3	16.8
2011	21.0	3.0	18.0
2012	18.3	3.7	14.7
2013	14.0	1.1	12.8
2014	13.9	2.7	11.3
2015	10.4	2.3	8.1
2016	5.5	1.1	4.4
2017	7.8	1.4	6.4
2018	8.1	1.0	7.1
2019	5.1	0.2	4.9
2020	5.0	2.7	2.3

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-d
Paraguay: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



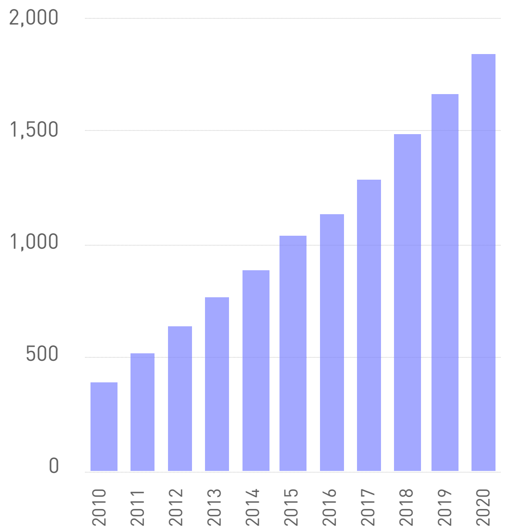
Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

equity over total assets, a figure that has risen gradually to reach 40.5% in 2020.

Investment and technical provisions

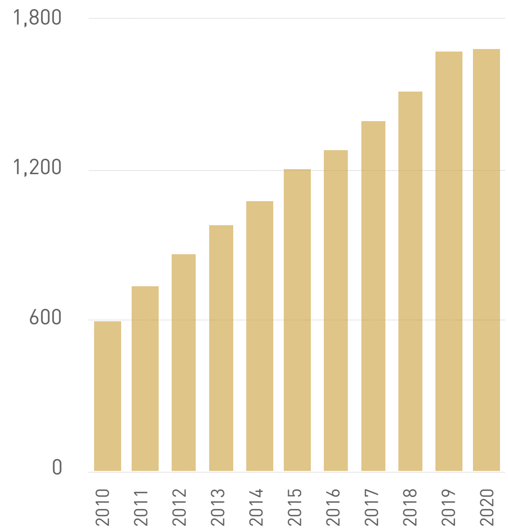
Charts 3.2.8-e and 3.2.8-f show changes in investments and technical provisions for the Paraguayan insurance industry between 2010 and 2020. As these data show, investments reached totaled 1.84 trillion guaranies (266 million dollars) in 2020, up 10.2% on the figure reported in 2019.

Chart 3.2.8-e
Paraguay: Insurance Market Investments
(billions of guaranies)



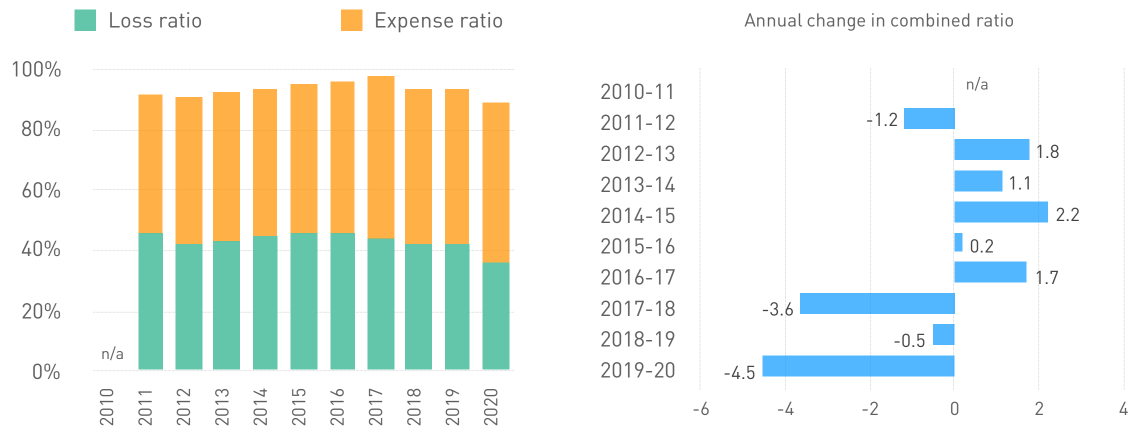
Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-f
Paraguay: Technical Provisions of the Insurance Market
(billions of guaranies)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-g
Paraguay: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Meanwhile, technical provisions in 2020 amounted to 1.67 trillion guaranies (242 million dollars), up slightly, 0.7%, from the previous year. It should be noted, however, that in the case of both investment and technical provisions, a more detailed analysis of their composition could not be carried out with the data available.

Technical performance

As shown in Chart 3.2.8-g, the technical result of the Paraguayan insurance industry (with data annualized as at December 2020) remained positive. The total combined ratio recorded in 2020 was 88.6% (vs. 93.1% in 2019), an improvement of -4.5 pp, the result of an increase in operating expenses (+1.1 pp) and a significant improvement in the loss ratio (-5.6 pp). Accordingly, this kept the combined ratio in a decline for the third consecutive year following five years on the rise (2013- 2017).

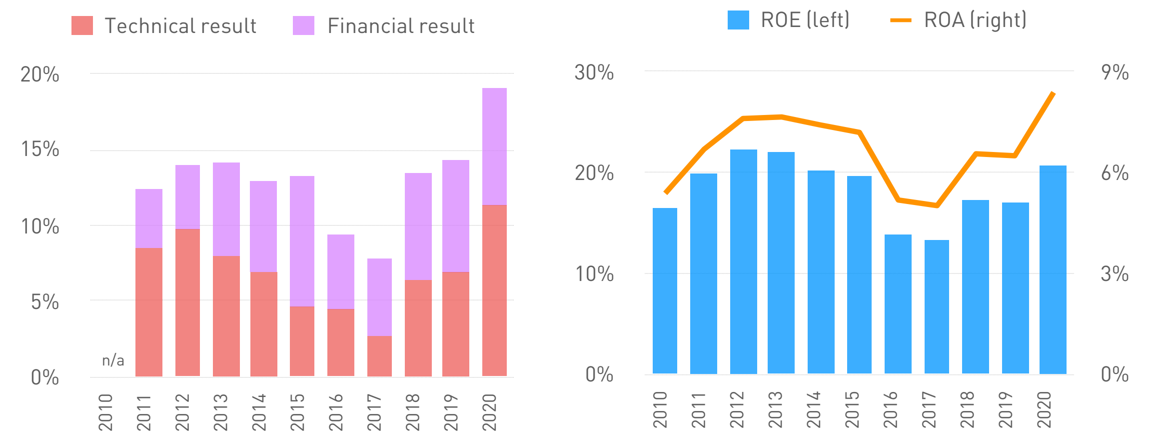
Results and Profitability

The net result of the Paraguayan insurance business as at December 2020 was 369.19 billion guaranies, up a colossal 37.8% from the previous year. The positive technical performance of 2020, together with the result of investments, influenced that fiscal year's positive results. Turning to profitability, the industry achieved return on equity (ROE) of 20.7% in 2020, up 3.7 pp on 2019. In a similar vein, return on assets (ROA) amounted to 8.4% in 2020, up 1.9 pp from the value reported the previous year (see Chart 3.2.8-h).

Insurance penetration, density and depth

The main structural trends shaping the development of the Paraguayan insurance industry between 2010 and 2020 can be seen in Chart 3.2.8-i. First, the penetration rate (premiums/GDP) stood at 1.1% in 2020, meaning that this figure has remained virtually unchanged since 2015. It is worth noting that the penetration rate in the Paraguayan market followed an upward trend between 2010 and 2015 and then stabilized thereafter. It spent the entire decade below the absolute values for the average of the insurance markets in the region.

Chart 3.2.8-h
Paraguay: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Insurance density in Paraguay (premiums per capita) came to 391,315 guaranies (58 dollars), up 3.7% on the level reached in 2019. There was a growing trend in density measured in local currency over the period under analysis, registering cumulative growth of 144% between 2010 and 2020.

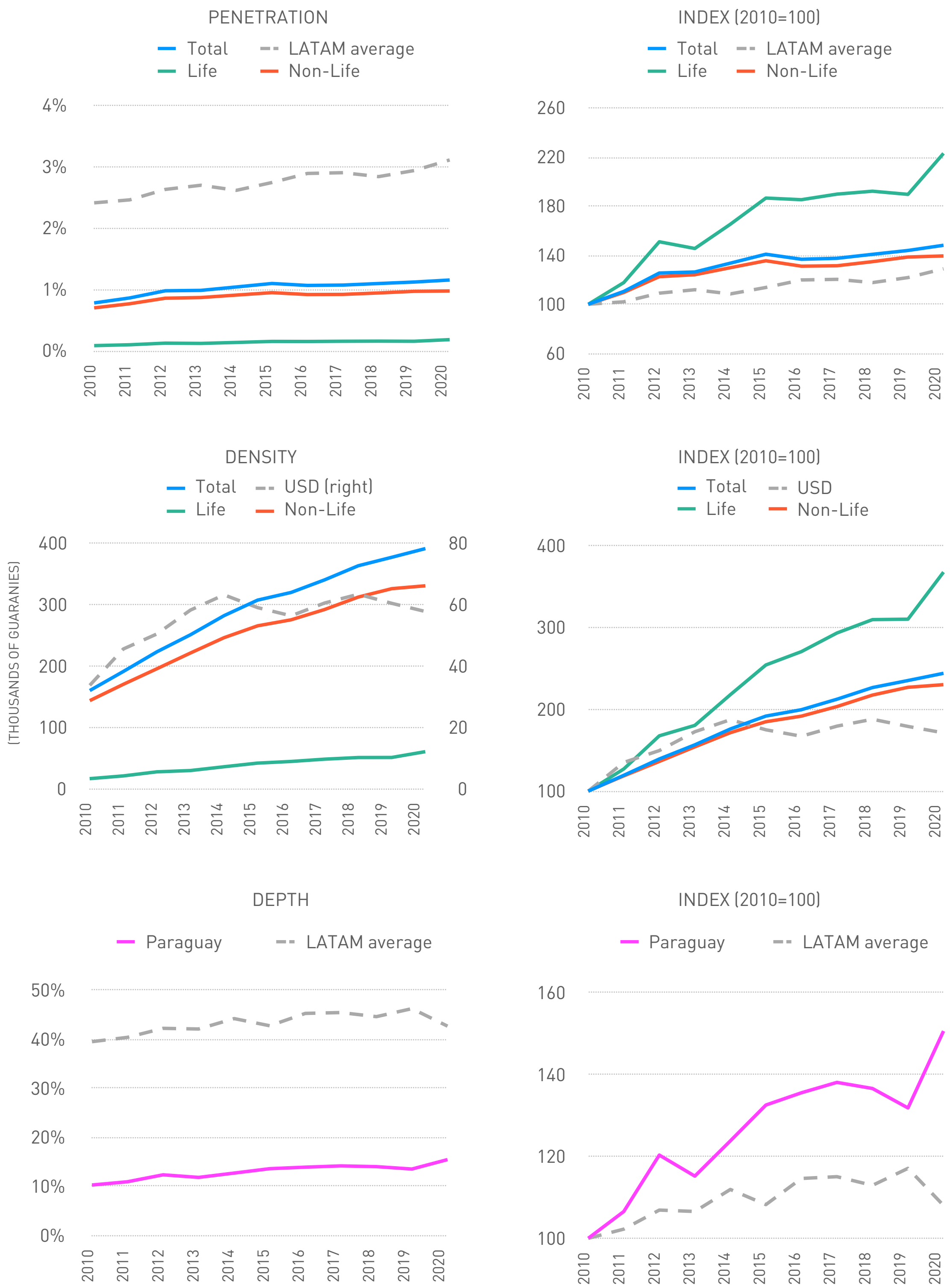
Lastly, insurance depth in the Paraguayan market (Life insurance premiums vs. total premiums) came to 15.5%, up 5.2 pp from 2010 and 1.9 pp more than in 2019. It is worth noting that depth in the Paraguayan insurance market was far below the average for Latin American insurance markets, which speaks to the still emerging level of development of Life insurance in that market.

Estimation of the Insurance Protection Gap

Chart 3.2.8-j provides an estimation of the IPG for the Paraguayan insurance market between 2010 and 2020. As it demonstrates, the 2020 insurance gap was 16.31 trillion guaranies, 5.8 times the Paraguayan insurance market at year end that year, with an increase in Non-Life insurance and a decrease in Life insurance. However, the structure and performance of the insurance gap over the period under analysis were shaped mainly by the Life insurance segment. At year end 2020, 58.0% of the IPG was related to Life insurance (9.46 trillion guaranies), 6.0 pp less than the share recorded for this segment in 2010. The remaining 42% of the insurance gap was related to the Non-Life insurance segment (6.86 trillion guaranies). As such, the potential insurance market in Paraguay at the close of 2020 (the sum of the actual insurance market plus the IPG) was estimated at 19.11 trillion guaranies, 6.8 times the size of the total insurance market that year (see Chart 3.2.8-k).

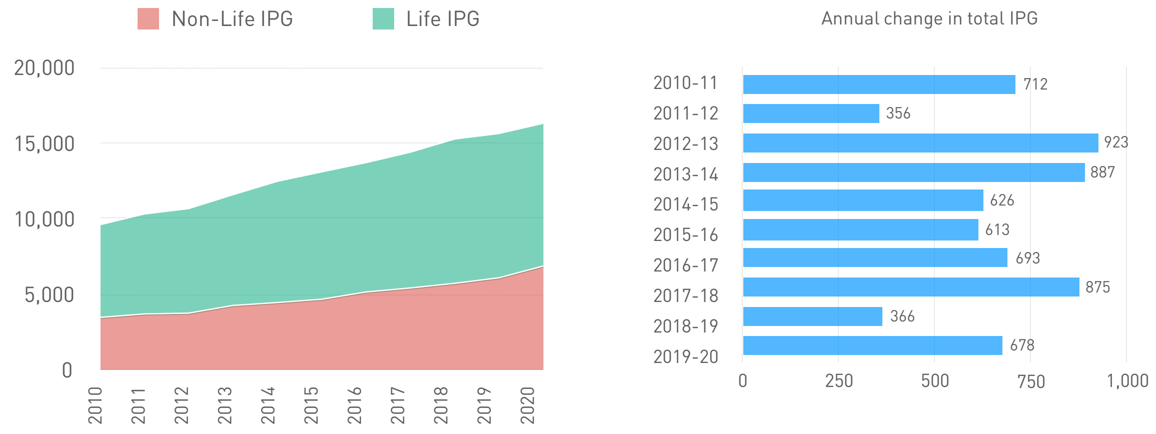
Charts 3.2.8-l and 3.2.8-m show an estimate of the insurance gap as a multiple of the actual insurance market in Paraguay. As said data indicate, the IPG as a multiple of the market showed a downward trend between 2010 and 2020, both for the Life insurance segment (falling from 59.6 to 21.9 times) and for the Non-Life insurance segment (from 3.8 to 2.9 times). However, it should be noted that this downward trend has been softening and nearly stabilized from 2017 on.

Chart 3.2.8-i
Paraguay: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, guaranies and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

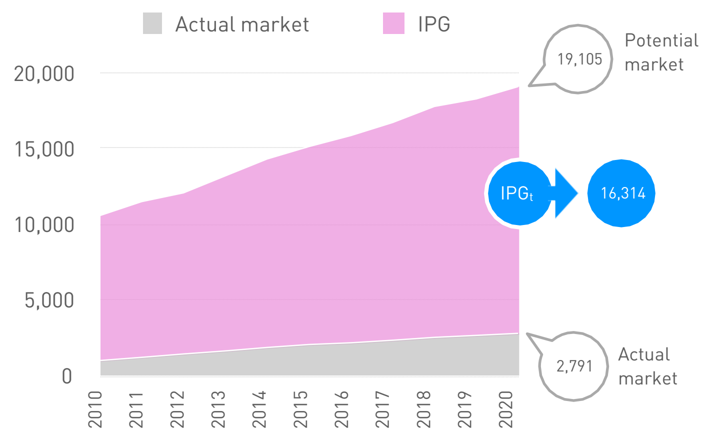
Chart 3.2.8-j
Paraguay: Insurance Protection Gap
(billions of guaranies)



Source: MAPFRE Economics

Lastly, Chart 3.2.8-n provides an update to the assessment made in terms of the Paraguayan insurance market's capacity to bridge the insurance gap estimated in 2020, using a comparative analysis between the growth rates observed over the last 10 years and the growth rates needed to close the IPG over the next 10 years. According to this analysis, the Paraguayan insurance market grew at an average annual rate of 10.8%, due to an average annual growth rate of 15.4% in the Life insurance segment and 10.1% growth in Non-Life insurance. Were the growth rate seen over the last decade to continue over the next 10 years, the growth rate of the Paraguayan insurance market would fall -4.5 pp short of closing the gap in the Non-Life insurance segment and -21.4 pp short in the Life insurance segment.

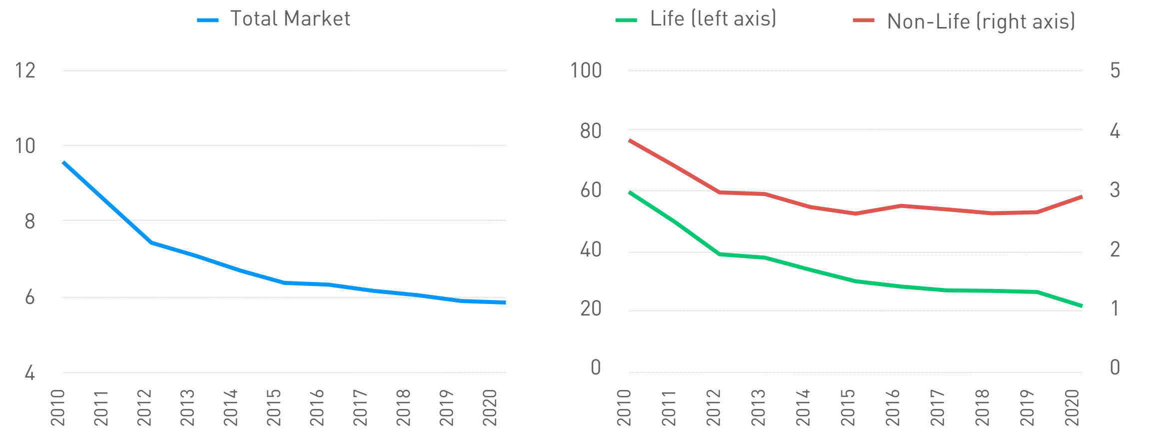
Chart 3.2.8-k
Paraguay: Insurance Protection Gap and Potential Market
(billions of guaranies)



Variation	Actual market	IPG
2020-2010	178.6%	70.2%
2020-2019	5.0%	4.3%

Source: MAPFRE Economics

Chart 3.2.8-l
Paraguay: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)

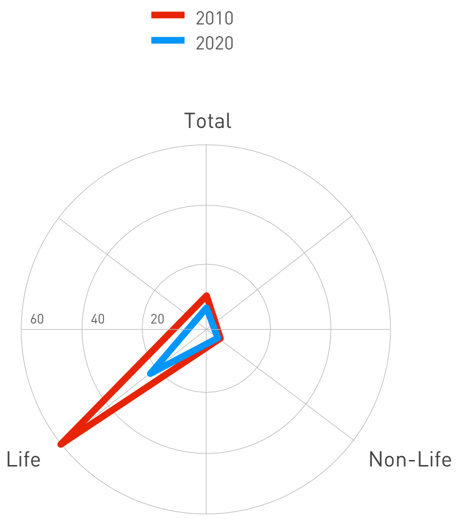


Source: MAPFRE Economics

Market Development Index (MDI)

Chart 3.2.8-o provides an updated estimation of the Market Development Index (MDI) for the Paraguayan insurance industry between 2005 and 2020. As indicated previously in this report, the MDI is used as an indicator to track the maturity of the analyzed markets; in the case of the Paraguayan market, the indicator continued to show a positive trend that was generally higher than the average for Latin American insurance markets.

Chart 3.2.8-m
Paraguay: Changes in IPG as a Multiple of the Actual Market



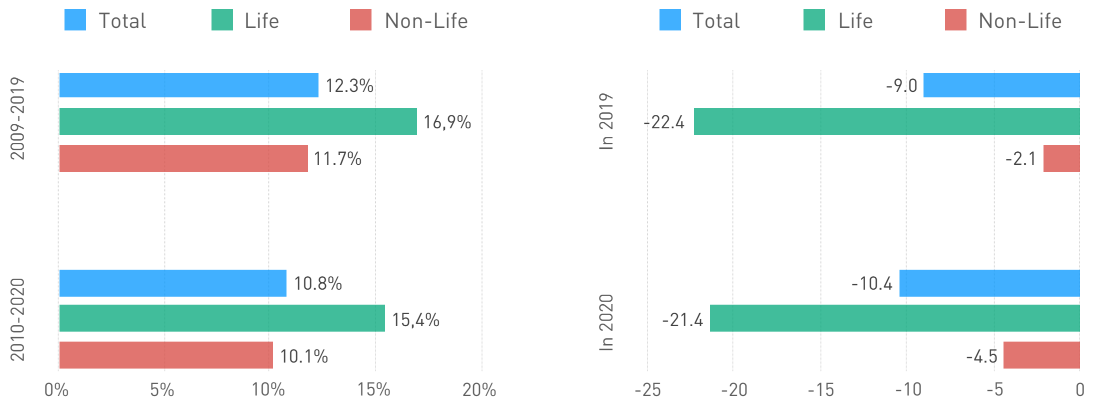
Source: MAPFRE Economics

Comparative analysis of structural coefficients

Chart 3.2.8-p outlines the state of the insurance market in Paraguay when compared to the average for Latin America, measured in terms of the four structural indicators analyzed: penetration, density, depth, and MDI. In this sense, as can be seen, the Paraguayan insurance market falls well below the regional average for these indicators, with the exception of the MDI, which exceeded the regional market average in 2020.

Furthermore, the dispersion analysis shown in the aforementioned chart confirms that, over the 2010-2020 period, the Paraguayan insurance industry showed relatively balanced development, with slight gains both in terms of penetration and depth, except for a clear drop in the insurance depth indicator in 2019, which was corrected in 2020.

Chart 3.2.8-n
Paraguay: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

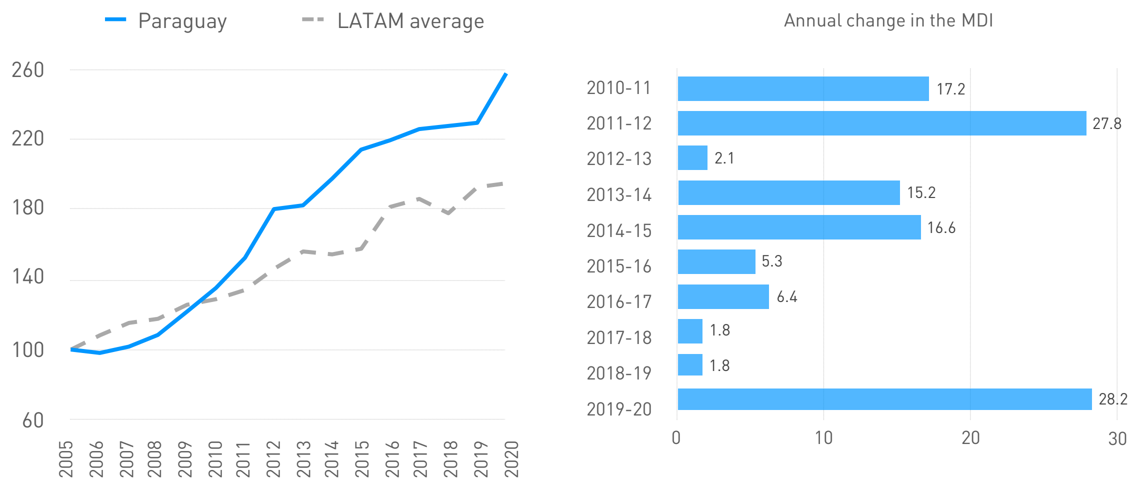
Insurance Market Rankings

Overall ranking

There were 35 insurance companies operating in the Paraguayan market in 2020; 24 authorized to offer property insurance and 11 operating in property and casualty and Life insurance. As can be seen in Chart 3.2.8-q, the industry is not highly concentrated.

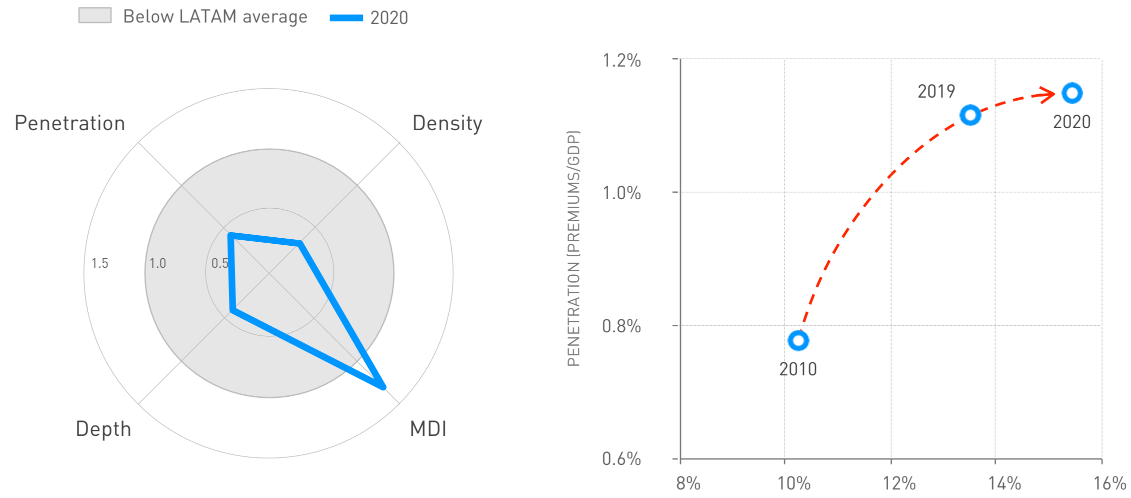
The Herfindahl index rose very slightly in 2020, reaching 729.6 points compared to 728.5 in 2019, still below the moderate concentration threshold. In terms of the CR5 index, the top five companies held 49.7% of total premiums in 2020, up 0.7 pp vs. 2019, caused by a boost in the Non-Life segment.

Chart 3.2.8-o
Paraguay: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.8-p
Paraguay: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)

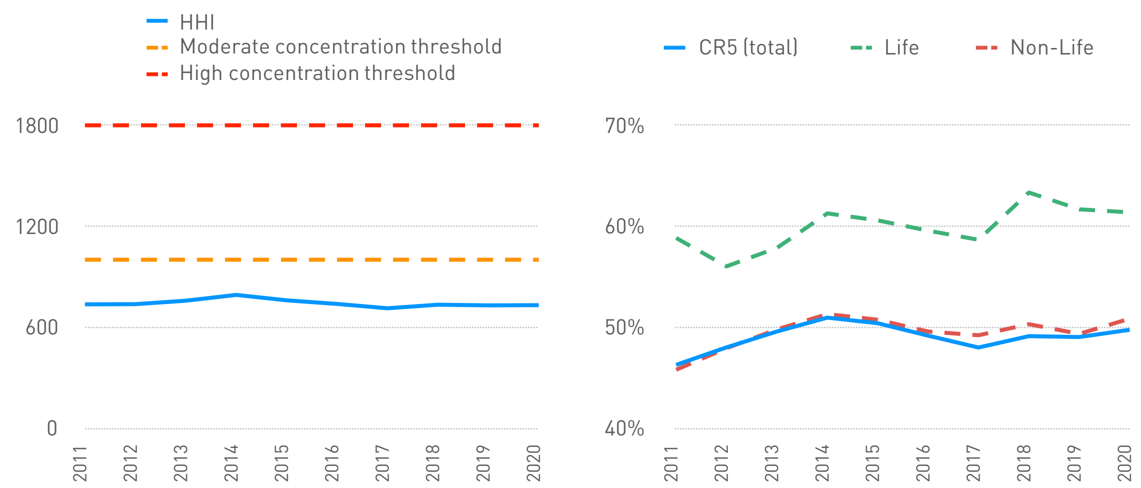


Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

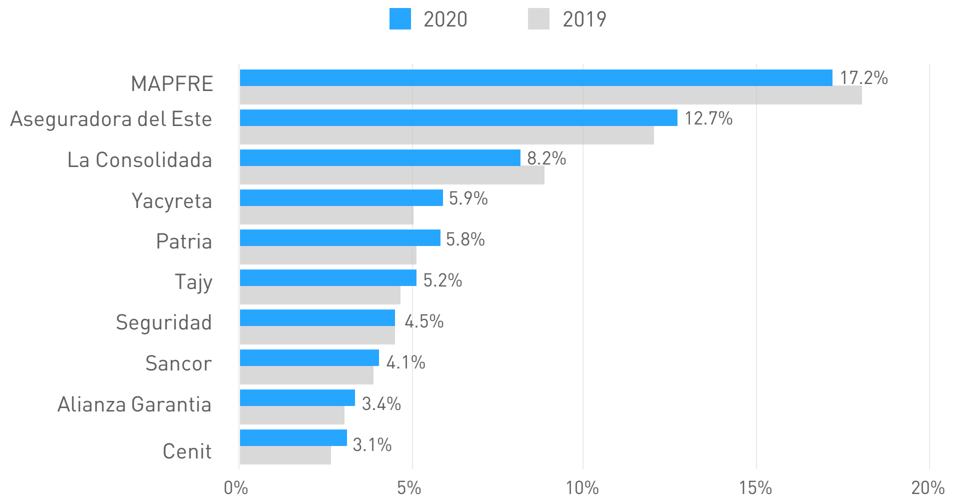
The 2020 overall ranking of insurance groups in the Paraguayan market continued to be led by MAPFRE with a market share of 17.2%, followed somewhat distantly by Aseguradora del Este (12.7%) and La Consolidada (8.2%). Aseguradora Yacyreta climbed one position taking fourth place and relegating Patria to fifth. Cenit returned to the ranking after leaving it in 2019, taking tenth place (see Chart 3.2.8-r).

Chart 3.2.8-q
Paraguay: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-r
Paraguay: Overall Ranking
(market share, %)

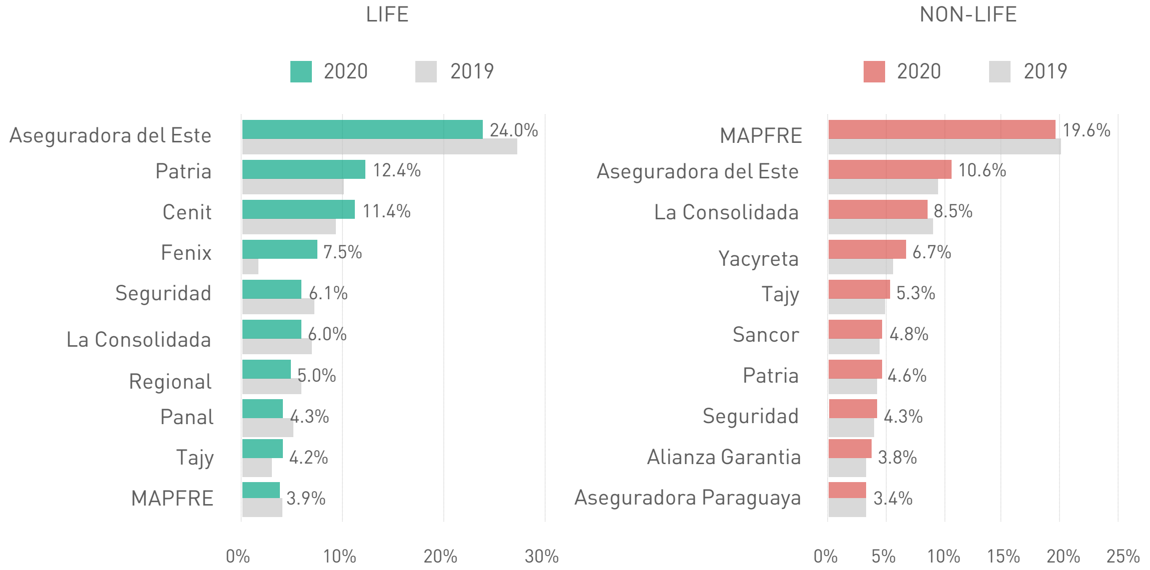


Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Non-Life and Life rankings

The 2020 Non-Life ranking went largely unchanged from the previous year. It continued to be led by MAPFRE with 19.6% of the market's premiums, distantly trailed by Aseguradora del Este (10.6%), and La Consolidada in third with a market share of 8.5%. The only change from the previous year occurred in the bottom two positions with Alianza Garantía climbing up one place to ninth and Aseguradora Paraguaya dropping from ninth to tenth. In the 2020 Life insurance ranking continued to be led by Aseguradora del

Chart 3.2.8-s
Paraguay: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Este, which held 24.0% of premiums, and Fénix's significant rise from fifteenth to fourth with a market share of 7.5% is worth mention.

Key Regulatory Aspects

In 2020, the Superintendency of Insurance focused on issuing standards to mitigate the potential harmful effects of the COVID-19 pandemic on the insurance market as well as other standards to make market operations more transparent by supplying and publishing information.

In this sense, on the one hand, and in line with the measures adopted by the national government to prevent the spread of COVID-19, the Superintendency of Insurance issued standards to make deadlines for submitting documents to the supervisory authority more flexible, implementing receipt of information via electronic means, as well as extending the validity of certain market operators' authorizations for those whose clearance was set to expire during the months with the strictest restrictions. Regulations on the constitution of pensions and profit sharing were also adjusted to counteract the potential negative effects on company results.

In order to make market functioning more transparent and protect insurance users, regulations were drafted in 2020 on insurance companies' need to provide relevant, up-to-date information on their websites, as well as provide simple and complete information to insured parties. Finally, in its role in the fight against money laundering, the Superintendency of Insurance defined the guidelines to be followed for underwriting, acquisition, and transparency of overseen companies' actions. A circular made the Risk Self-Assessment Guide available to subjects overseen by the Central Bank of Paraguay as an anti-money laundering measure.

The key regulations issued by the Superintendency of Insurance are detailed below:

- CIR.SS.SG.No. 002/2020 of 1/13/2020. Sending the "Money Laundering/Terrorism Financing Prevention and Risk Self-Assessment" to subjects overseen by the Central Bank of Paraguay's Superintendency of Insurance, the motivation for which was the need for proper risk self-assessment for the Country Assessment by the Financial Action Task Force of Latin America (GAFILAT) 2019/2020.

- RES.SS.SG.No. 031/2020 of 2/3/2020. It establishes the minimum information that insurance companies must provide on their websites. It was issued as part of the implementation of the International Association of Insurance Supervisors Insurance Core Principle No. 20 (Public Disclosure) revised in November 2019, which specifies "The supervisor requires insurers to disclose relevant, comprehensive, and adequate information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance, and financial position."

- RES.SS.SG.N°106/2020 of 3/27/2020. Temporary Suspension of DxP Precautionary Measures (COVID-19). It did so to adopt transitional administrative measures to mitigate the economic impact on the insurance industry; said guidelines stipulate that insurance company receivables for premiums could be affected by the preventive measures implemented by the government.

- RES.SS.SG.N°210/2020 of 7/29/2020. Data Provision Regime for the Superintendency of Insurance Information Point. Partial amendment to Resolutions SS.SG No. 115/06, No. 165/06, No. 173/06, No. 196/06, No. 170/07, No. 158/17, and No. 209/. This provision arose out of the need to adjust the established manner for sending data to the Information Point managed by the Superintendency of Insurance with regard to transfer and retention reports on risks assumed by insurance companies.

- RES.SS.SG.No. 236/2020 of 9/17/2020. Limitation of Profit Sharing for the Fiscal Year Ending 6/30/2020. Generated by the effect of Resolution SS.SG. No. 106/2020 dated 3/27/2020 for cases in which the application of Resolution SS.SG No. 106/20 dated March 27, 2020 generated a positive result or increased profits, clarifying that said amounts should not be considered sharable profits as at 6/30/2020, and that said amounts must remain in the "3.04.01.M.01.01 - Profits" account until the end of the fiscal year at 6/30/2021.

- RES.SS.SG.No. 244/2020 of 10/5/2020. Rules for Underwriting, Acquisition, and Transfer of Shares, Conflicts to Being a Shareholder or Holding a Position in Supervised Companies. The provision arises from FATF Recommendation No. 26 "Regulation and Supervision of Financial Institutions," including insurance companies, must be subject to proper regulation and oversight in addition to efficiently implementing the FATF Recommendations.

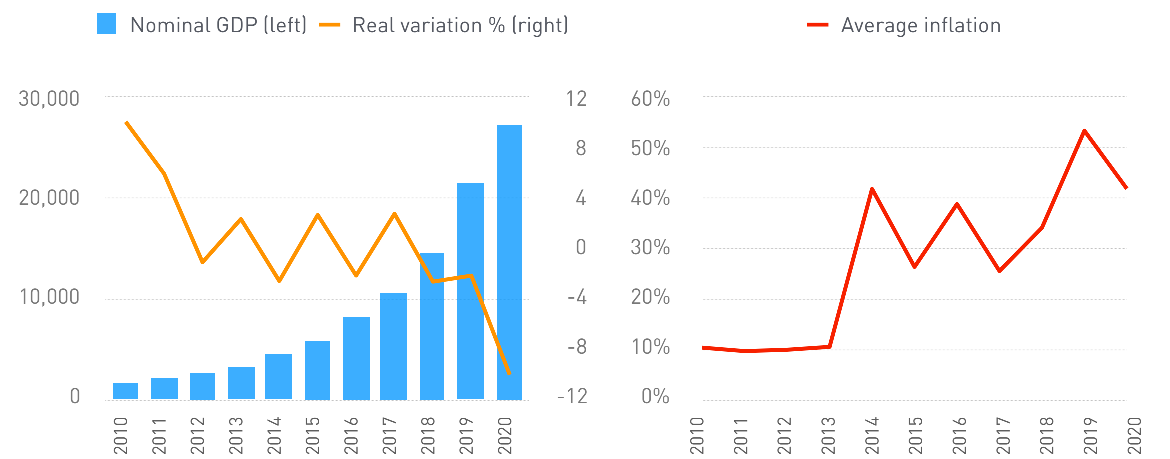
3.2.9 Argentina

Macroeconomic Environment

In 2020, the economy of Argentina contracted heavily with a fall in GDP of -9.9%, one of the largest in the region, as a result of the situation caused by the pandemic. This downturn came on the heels of two economic contractions of -2.1% and -2.6% in the two previous years all as a result of a major drop in domestic demand both in terms of consumption and private investment. This was in addition to the drop in exports in 2020 (see Chart 3.2.9-a). However, the marked tumble in imports boosted the current account, which had a surplus of 0.9% of GDP (vs. a 0.8% deficit in 2019). The labor market charged the situation and average unemployment went up, reaching 11.5% of the workforce (vs. 9.8% in 2019).

In response to this situation, the Argentine government implemented an extensive package of expansionary fiscal aid measures for low-income people and companies. This, combined with a sharp drop in tax revenue, lifted the fiscal deficit to 8.3% of GDP (3.8% in 2019). Notably in 2020, Public foreign currency debt

Chart 3.2.9-a
Argentina: Changes in Economic Growth and Inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF and OEF data) was restructured, translating to a significant relief for interest charges and maturity for the coming years. According to ECLAC data, the central government's gross debt stood at 102.8% of GDP at year end 2020.

The central bank applied an expansionary monetary policy to support the economy and cut the benchmark interest rate from 55% in late 2019 to 38%. In the same period, the central bank financially assisted the national treasury to take on the increased expenditure resulting from the fiscal measures, within a context of falling tax revenues and the public debt restructuring process. This financing was done by issuing temporary advances and institutional revenue sharing. Together, these two instruments were the primary expansionary factor for the base money, which over the course of the year went up 9% year-over-year in real terms (55% year-over-year in nominal terms). Inflation averaged 42% in 2020 (53.5% in 2019) and the exchange rate for the Argentine peso depreciated on average 46.5% vs. the dollar.

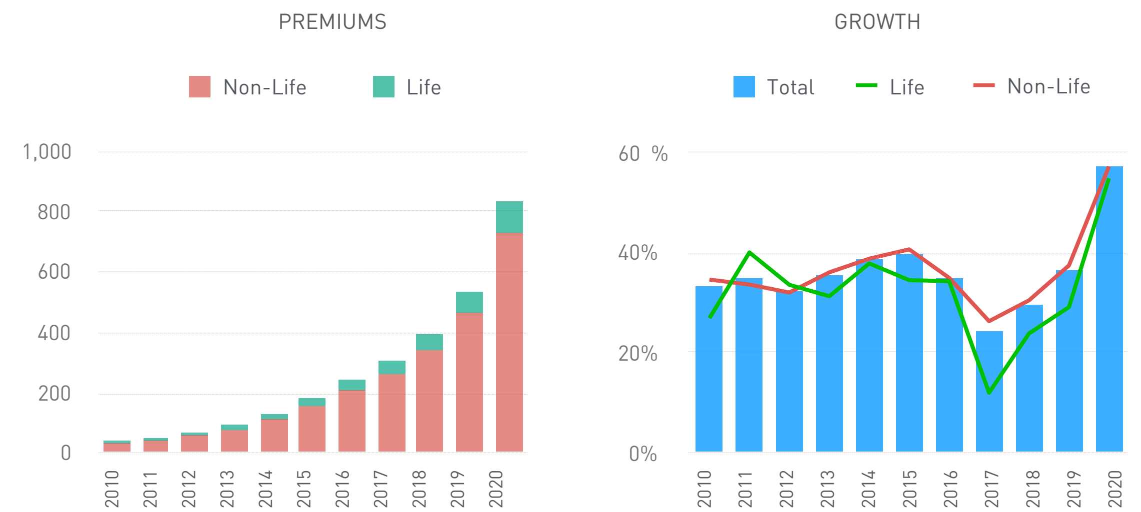
MAPFRE Economics expects a partial recovery of the Argentine economy in 2021 of around 5.8% in real terms as a result of the lifting of strict lockdown measures applied as a result of the COVID-19 pandemic. ECLAC forecasts 7.5% growth with the help of high foreign exchange liquidation from the export industry and the accreditation of special drawing rights (SDR) issued by the International Monetary Fund, causing international reserves (a key variable in the context of the external pressure afflicting the country since early 2018) to increase to nearly 46.2 billion dollars in late August. The recovery of economic activity combined with aid policies focused to a greater extent on the industries most affected by the pandemic contributed to the primary fiscal deficit of the central government falling to 0.7% of GDP year-over-year until July, vs. 3.8% in the same period the previous year.

Insurance Market

Growth

Despite the crisis in 2020 arising from the pandemic, the Argentine insurance market saw showed a positive growth, considering the

Chart 3.2.9-b
Argentina: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Table 3.2.9
Argentina: Premium Volume[1] by Line, 2020

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**836,533**	**11,841**	**56.8**	**10.4**
Life	**105,376**	**1,492**	**54.7**	**8.9**
Group Life	62,356	883	50.7	6.1
Individual Life	31,923	452	72.0	21.1
Retirement	11,097	157	35.9	-4.3
Non-Life	**731,157**	**10,350**	**57.0**	**10.6**
Auto	317,558	4,495	56.6	10.3
Other lines	43,417	615	59.1	12.0
Fire	45,934	650	80.6	27.2
Combined Family	41,954	594	67.0	17.6
Agricultural Insurance	20,855	295	64.7	15.9
Personal accident	16,468	233	41.6	-0.3
Third-party liability	16,544	234	65.5	16.5
Transport	13,087	185	56.8	10.4
Credit and surety	12,573	178	48.0	4.2
Health	1,832	26	64.1	15.6
Workplace accidents	200,935	2,844	51.4	6.6

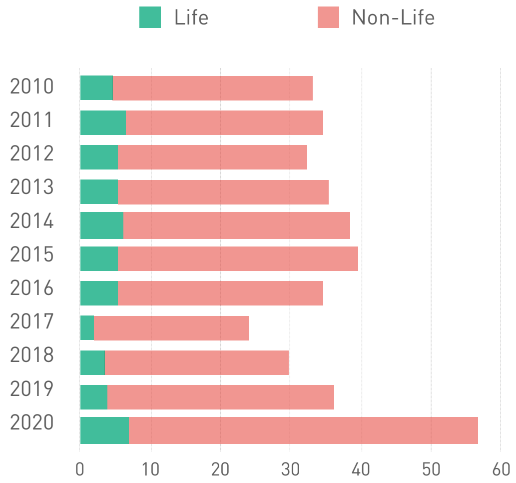
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)
1/ Premiums and surcharges issued

annualized data, i.e., including the data corresponding to the second half of the year. Thus, the premium volume (annualized as at December 2020) was 836.53 billions pesos (11.84 billion dollars), up 56.8% in nominal terms and 10.4% in real terms vs. the same period the previous year (see Chart 3.2.9-b and Table 3.2.9). However, it is important to highlight that the data corresponding to the second half of 2020 were submitted under new accounting criteria adjusted for inflation, meaning the scales are different, which cause the growth shown in this report to be overestimated when comparing premiums accounted for as per the previous accounting criteria[33].

Life insurance premiums, which account for 12.6% of the total market, grew 54.7% in nominal terms (8.9% in real terms) to 105.38 billion pesos (1.49 billion dollars). All modalities increased nominally, led by Individual Life insurance, and only Retirement showed decreases in real terms. Non-Life insurance premiums, which account for 87.4% of the market, grew 57.0% in nominal terms (10.6% in real terms) to reach 731.16 billion pesos (10.35 billion dollars). All lines of business showed positive growth in real terms over the course of 2020; only Personal accident showed a slight decrease of -0.3%. The lines of business with the most growth were Fire (80.6%) and Combined Family (67%).

Therefore, of the 56.8% nominal growth in the Argentine insurance market in 2020, Non-Life made the largest contribution with 49.8 pp, while 7.0 pp was attributable to the Life insurance segment. As Chart 3.2.9-c shows, this situation has occurred throughout the last decade, i.e., the Life insurance segment has had a relatively smaller impact on the general market dynamic.

Chart 3.2.9-c
Argentina: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	33.3	4.5	28.8
2011	34.6	6.4	28.2
2012	32.3	5.6	26.7
2013	35.2	5.3	30.0
2014	38.6	6.2	32.4
2015	39.6	5.6	34.0
2016	34.8	5.4	29.5
2017	24.1	1.9	22.2
2018	29.5	3.4	26.2
2019	36.3	3.9	32.4
2020	56.8	7.0	49.8

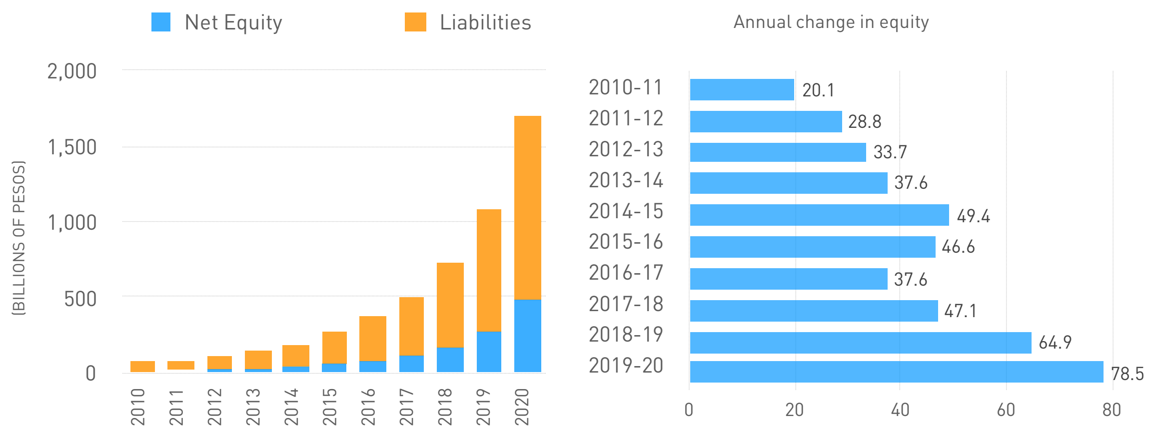
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Balance Sheet and Shareholders' Equity

Resolution No. 539/2018 of the Governing Board of the Argentine Federation of Professional Councils in Economic Sciences is worth mentioning, and as a consequence of the supplementary provisions issued by the National Superintendency of Insurance, at fiscal year end June 2020, insurance and reinsurance companies' balance sheets included the restatement of their various items in constant currency (adjusted for inflation). This led to an increase in equity, as certain asset items that used to be reported in the balance sheet at historical currency (property, plant, and equipment, and deferred charges) were restated. Liabilities were already expressed in currency at end of period.

In this context, between 2010 and 2020, the Argentine insurance industry's aggregate balance sheet as shown in Chart 3.2.9-d

Chart 3.2.9-d
Argentina: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



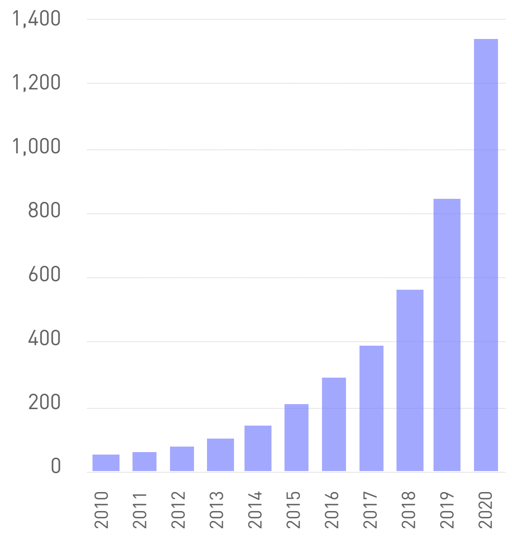
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

demonstrates that assets reached 1.70 trillion pesos (20.15 billion dollars), and equity stood at 482.23 billion pesos (5.73 billion dollars). Aggregate capitalization levels within the Argentine insurance industry (measured over total assets) stood at around 20% between 2010 and 2019, the highest value being in 2020 with 28.4% over total assets.

Investments

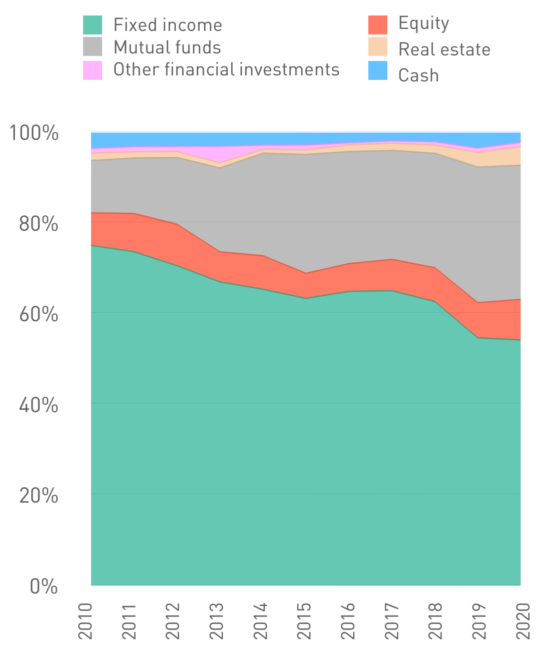
Charts 3.2.9-e, 3.2.9-f, and 3.2.9-g show the performance, structure, and composition of the aggregate investment portfolio for the Argentine insurance industry over the 2010-2020 period and specifically in 2020. Over the last year, investments totaled 1.34 trillion pesos (15.88 billion dollars), concentrated in fixed income (54.4%), mutual funds (29.6%), and, to a significantly lesser extent, equity instruments (8.9%). The analysis of Particularly

Chart 3.2.9-e
Argentina: Insurance Market Investments
(billions of pesos)



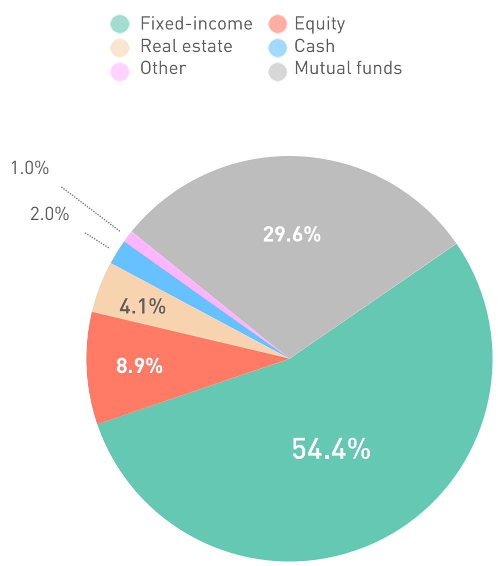
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-f
Argentina: Structure of Investments
(%)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-g
Argentina: Structure of Investments, 2020
(%)



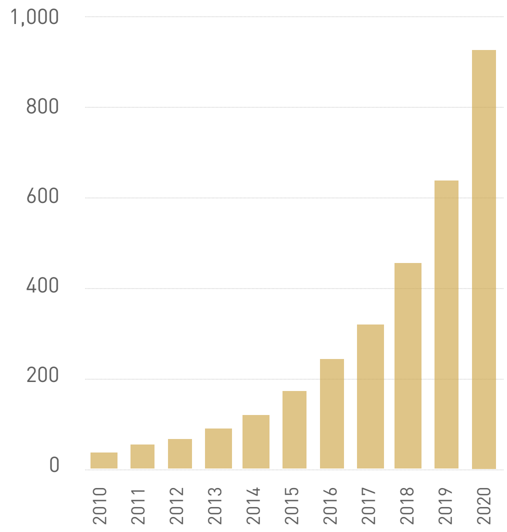
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

noteworthy in the aggregate investment portfolio analysis is the gradual increase in amounts managed through mutual funds, which increased in relative values from 2010, growing from 11.5% of total investments in that year to 29.6% by the end of 2020.

Technical provisions

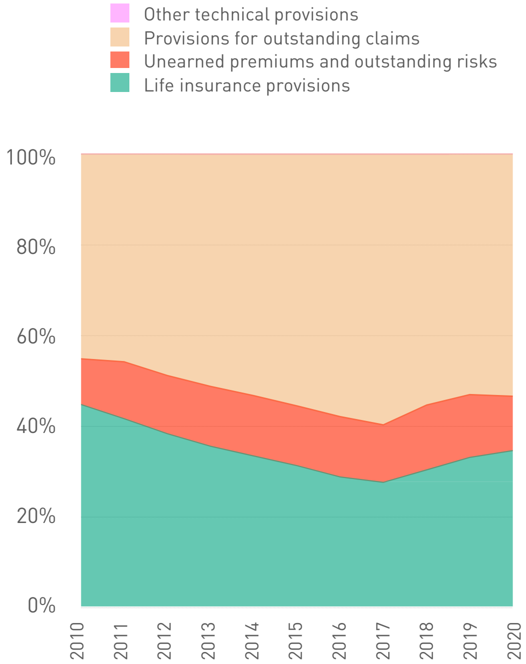
Charts 3.2.9-h, 3.2.9-i, and 3.2.9-j show changes in and the relative composition of the Argentine insurance industry's technical provisions over the 2010-2020 period. As these data demonstrate, technical provisions in 2020 stood at 930.77 billion pesos (11.06 billion dollars). Of this total, 34.7% related to Life insurance, 12.0% to provisions for unearned premiums and unexpired risks in Non-Life insurance, and the remaining 53.4% to provisions for outstanding claims. As Chart 3.2.9-i shows, over the period under analysis, the weight of provisions for life insurance gradually decreased, going from 44.8% of total

Chart 3.2.9-h
Argentina: Technical Provisions of the Insurance Market
(billions of pesos)



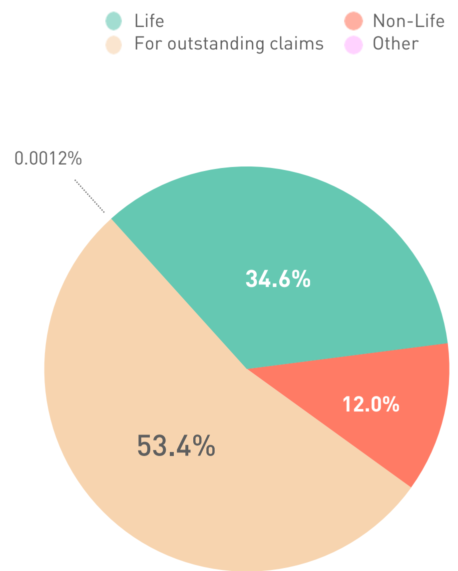
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-I
Argentina: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-j
Argentina: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

provisions in 2010 to 34.7% in 2020, confirming, as indicated above, this insurance segment's loss of relative importance within the structure of the Argentine market.

Technical performance

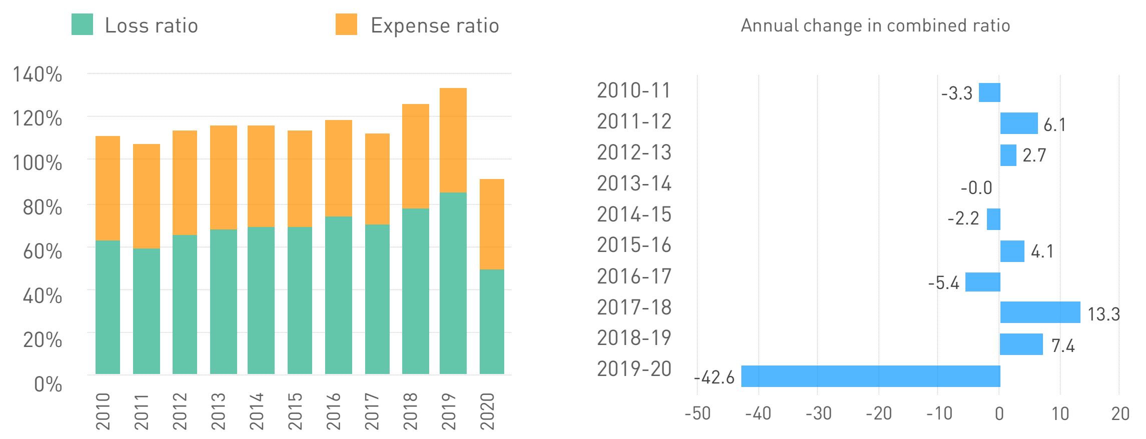
As Chart 3.2.9-k shows, the technical result for the insurance business in Argentina was positive for the first time in many years. This can be explained by the restatement of the various items in insurance companies' financial statements in standard currency (adjusted for inflation). Upon adjusting for inflation, various items need to be restated in accordance with the Consumer Price Index as at their date of origin, so the adjustments applied to premiums exceed the costs. This can be better understood considering that the production cycle in the insurance industry is inverted, with revenue (premiums) being generated first and then costs (loss ratio and expenses) and companies are obligated to constitute the technical reserves necessary to fulfill the commitments taken on. As a result, depending on the adjustment, an increase in items under accrued premiums can be higher than accrued claims and adjusted expenses, thereby boosting the technical result. The changes introduced by the National Superintendency of Insurance on the calculation of technical reserves for insufficient premiums (Resolution 147/2020) also had an impact. This calculation must be done with values expressed in constant currency, which led to a lower amount in the reserve or in the need to create one[34].

The above is reflected in the 2020 technical result, where the combined ratio reached 90.8%, down -42.6 pp from the previous year. This highly positive performance was the product of a lower loss and expense ratio, but was mainly due to a -35.7 pp improvement in the loss ratio. In addition to the previously discussed accounting effect, this also led to a lower loss ratio due to the social lockdown imposed by COVID-19.

Results and Profitability

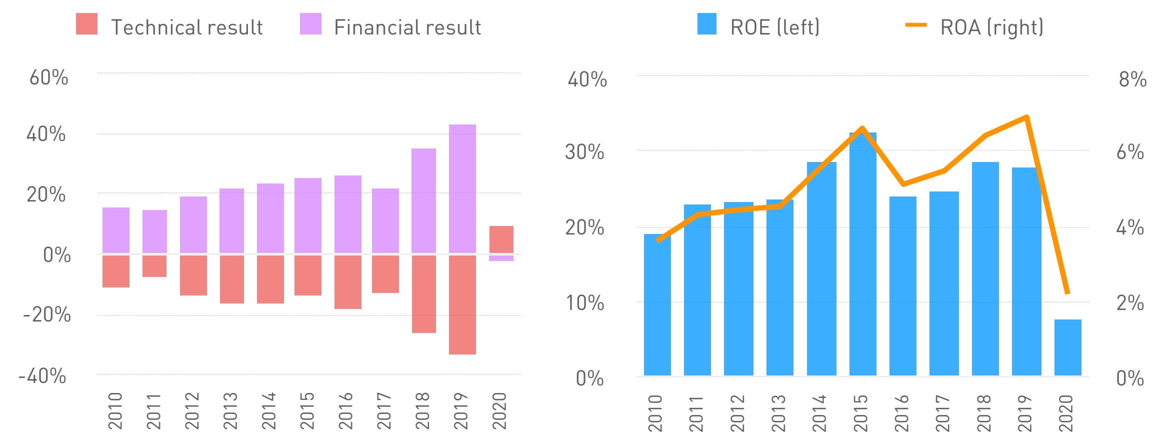
The net result from the insurance business in Argentina (with annualized data as at December 2020) was 37.75 billion pesos (534 million dollars), down 49.7% vs. the previous fiscal year. Despite the good technical result, this decline was the product of negative financial results and a loss in other results (extraordinary transactions and income tax). In terms of profitability, return on equity (ROE)

Chart 3.2.9-k
Argentina: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-l
Argentina: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

was 7.8% in 2020, falling 20 pp compared to 2019. Return on assets (ROA) reached 2.2% in 2020, down 4.7 pp vs. 2019. As stated previously, insurance companies adjusting for inflation in their balance sheets has had an influence on these data (see Chart 3.2.9-l).

Insurance penetration, density and depth

Chart 3.2.9-m shows the main structural trends shaping the development of the Argentine insurance industry between 2010 and 2020. As the chart indicates, the 2020 penetration rate (premiums/GDP) stood at 3.1%. The indicator expanded until 2015 and from 2016 onward it has shown a clear downward trend, which reversed in 2020, driven by the drop in GDP combined with nominal premium growth.

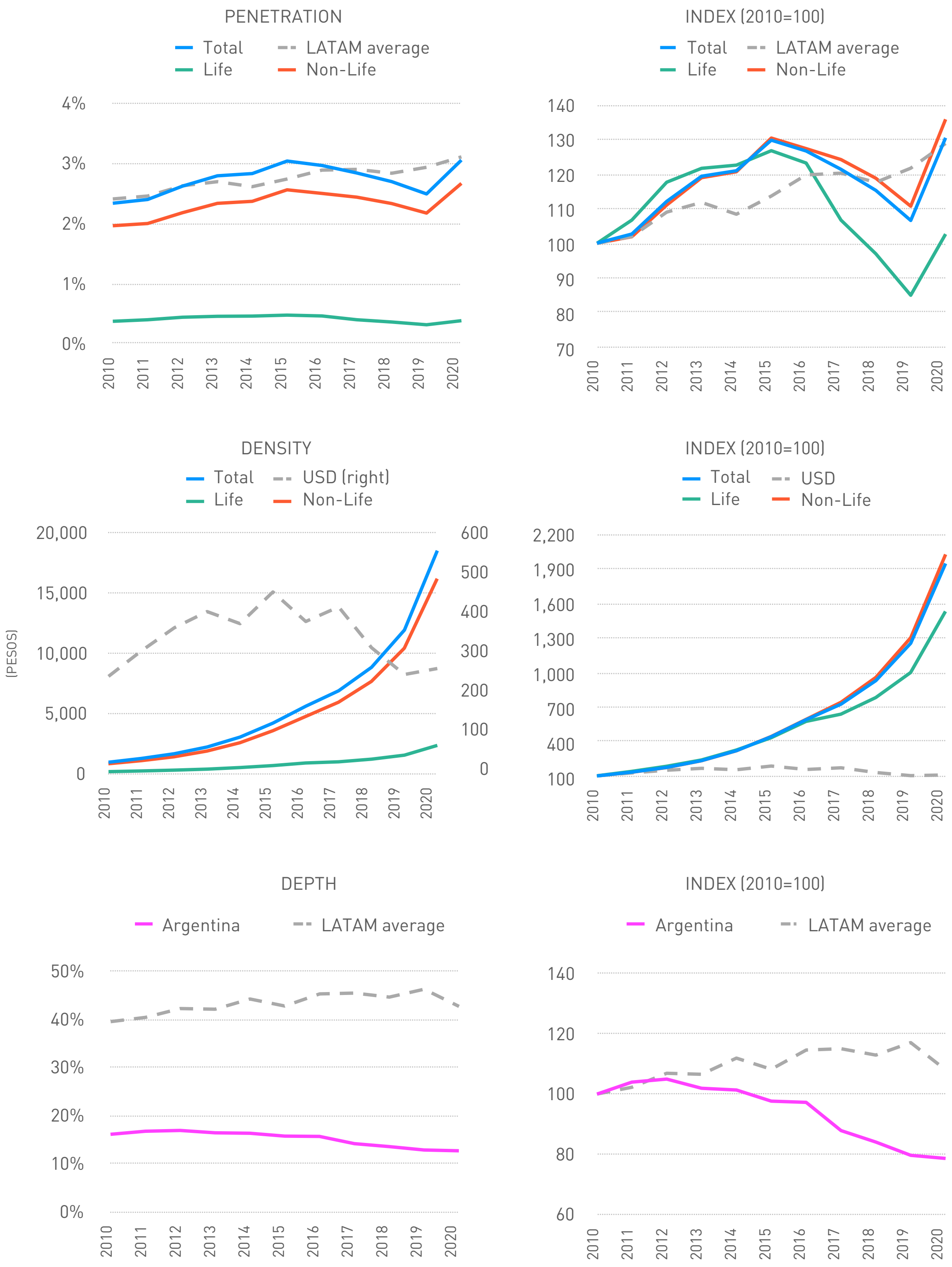
The insurance density level (premiums per capita) indicator stood at 18,509 pesos (262 dollars), up 55.3% vs. 2019. Density therefore followed an upward trend over the course of the last decade, although its measurement in local currency was influenced by the general increase price increase that, far from showing signs of slowing, has been accelerating over the last few years.

Lastly, with regard to depth levels (Life insurance premiums in relation to total premiums), the indicator for 2020 stood at 12.6%, -3.4 pp below the value observed in 2010. In this case, the Argentine insurance market's depth trend diverges substantially from the average trend observed in the Latin American region, showing once again the structural weakening of the Life segment within Argentina's insurance market.

Estimation of the Insurance Protection Gap

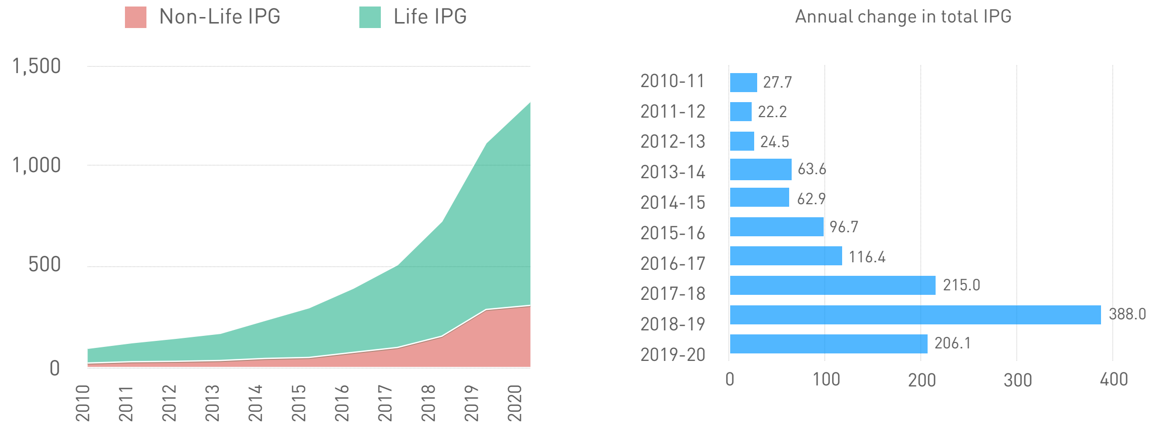
Chart 3.2.9-n provides an updated estimation of the IPG for the Argentine insurance market between 2010 and 2020. As can be seen there, the insurance gap was 1.32 trillion pesos in 2020, equivalent to 1.6 times the actual insurance market at year end 2020. The structure and performance of the IPG between 2010 and 2020 shows the significant role Life insurance had in shaping the gap. In 2010, 75.9% of the IPG corresponded to Life insurance, equivalent to 74 billion pesos. In

Chart 3.2.9-m
Argentina: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-n
Argentina: Insurance Protection Gap
(billions of pesos)



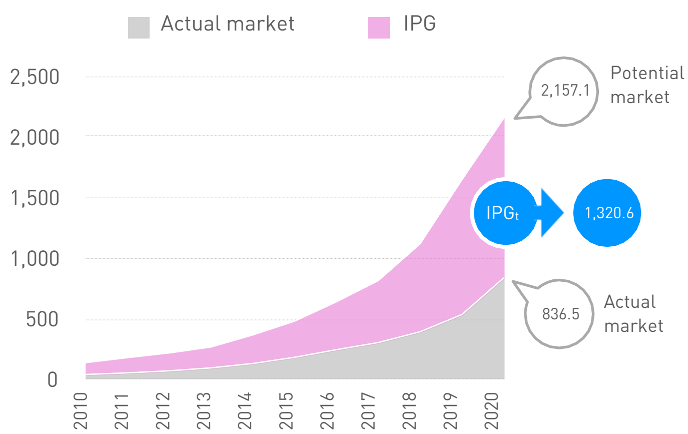
Source: MAPFRE Economics

2020 that percentage rose to 76.6% (1.01 trillion pesos). Conversely, Non-Life insurance saw its IPG share fall from 24.1% to 23.4% in this period. As such, as Chart 3.2.9-o shows, the potential insurance market in Argentina in 2020 (the sum of the actual market plus the IPG) amounted to 2.16 trillion pesos, almost 2.6 times the size of the country's market that year.

It should be noted that, given the inflation experienced by the Argentine economy in recent years, absolute values in the IPG estimate can be misleading. Thus, a good indicator to understand the insurance gap trend in Argentina is the estimation of the IPG as a multiple of the actual market. As shown in Chart 3.2.9-p, the IPG as a multiple showed a downward trend between 2010 and 2016, whereby it fell from 2.5 to 1.6 times the size of the actual market. Starting in 2017, said trend reversed course, reaching 2.1 in 2019, and then fell again in 2020 to 1.6 times.

A similar situation can be seen with the Life and Non-Life segments. In the case of the former, between 2010 and 2016, the IPG as a multiple of the respective market fell from 11.9 to 8.4 times, then rose again to 12.1 times in 2019 and fell again in 2020 to 9.6 times. For the

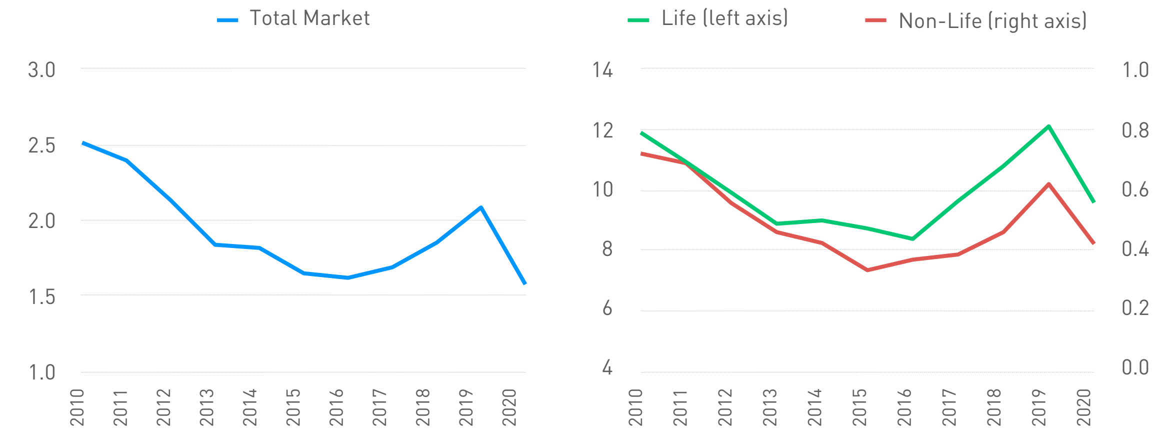
Chart 3.2.9-o
Argentina: Insurance Protection Gap and Potential Market
(billions of pesos)



Variation	Actual market	IPG
2020-2010	2,056.9%	1,252.9%
2020-2019	1,252.9%	1,265.3%

Source: MAPFRE Economics

Chart 3.2.9-p
Argentina: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)

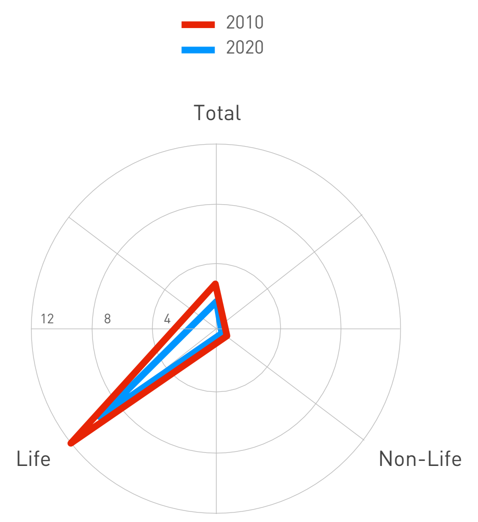


Source: MAPFRE Economics

latter (Non-Life), the trend reversed even earlier; between 2010 and 2015, the IPG as a multiple of the respective market fell from 0.7 to 0.3 times, before growing again from 2016 growing to 0.6 times in 2019, then falling again to stand at 0.4 times in 2020[35]. Thus, from the medium-term perspective, the insurance gap for the Argentine market gradually fell over the course of the last decade, especially in the Life segment (see Chart 3.2.9-q).

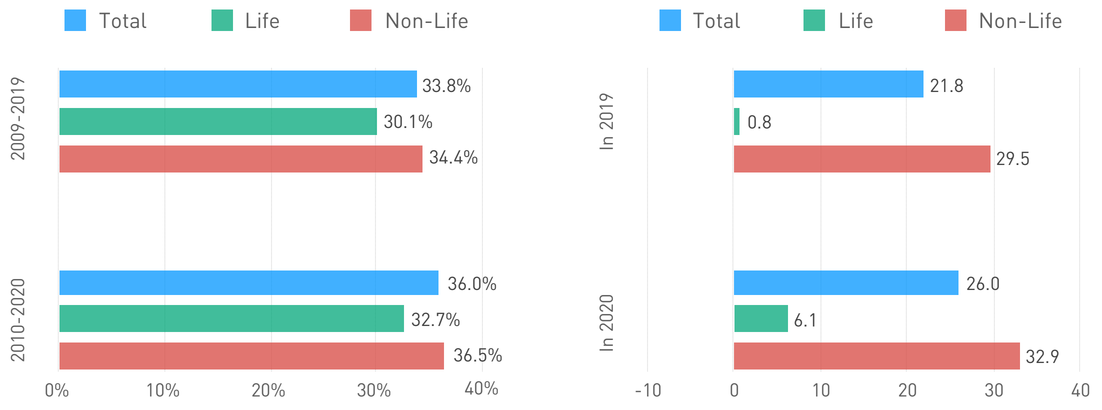
Finally, Chart 3.2.9-r summarizes the update on the evaluation done on the Argentine insurance market's capacity to bridge the IPG, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the IPG estimated in 2020 over the next 10 years. The Argentine insurance market posted an average annual growth rate of 36.0% over the 2010-2020 period. This was underpinned by an average growth of 32.7% in the Life insurance segment and of 36.5% in the Non-Life insurance segment. Thus, were the same growth seen over the last 10 years to continue over the next 10 years, the market growth rate for the market as a whole would be sufficient to cover the IPG estimated in 2020. This is the case for both Non-Life and Life insurance. However, it is important to note that the sufficiency rates resulting from this measurement are clearly overestimated due to the effect of high inflation in the economy.

Chart 3.2.9-q
Argentina: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.2.9-r
Argentina: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

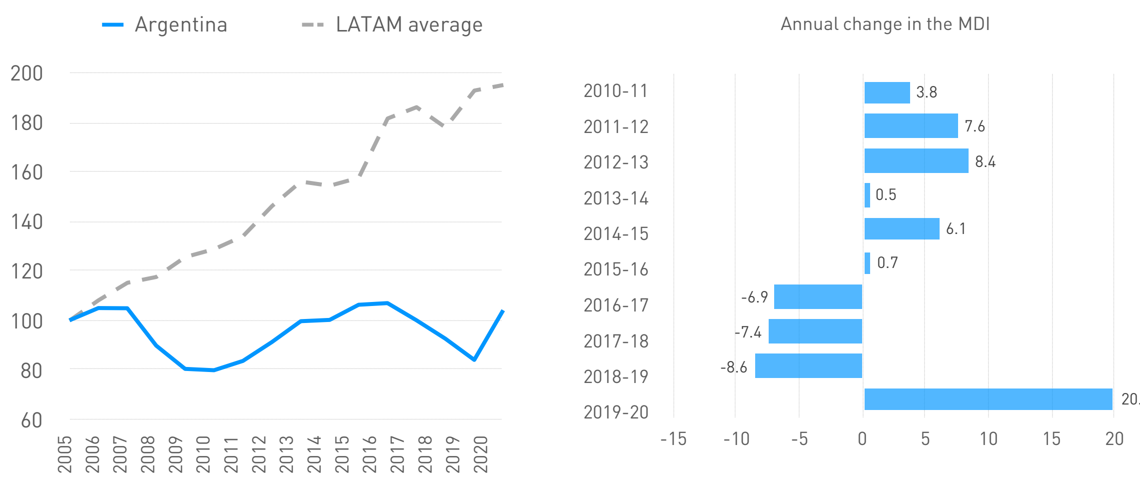
Market Development Index (MDI)

The updated estimate of the Market Development Index (MDI) for the Chilean insurance industry is shown in Chart 3.2.9-s. As noted earlier in this report, the MDI is used to summarize the trend in the performance and maturity of insurance markets. In the case of the Argentine insurance industry, the indicator showed two moments when the trend substantially diverged from the trend shown by the Latin America as a whole. The first, in 2008-2010, and the second from 2017 until 2019, reversing in 2020 as a result of the above-mentioned accounting effects and the insurance protection gap.

Comparative analysis of structural coefficients

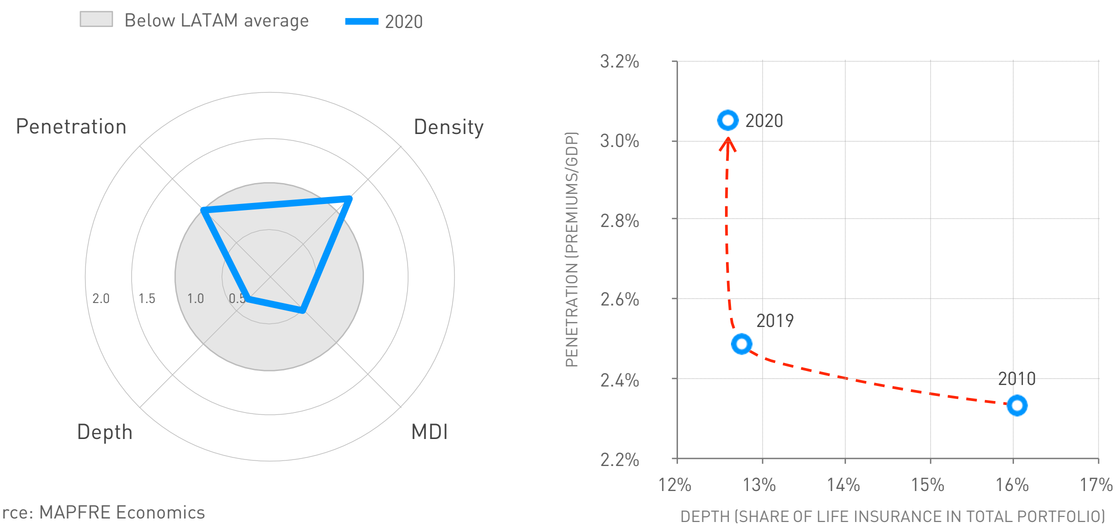
The situation of the Argentine insurance market compared to the average for Latin

Chart 3.2.9-s
Argentina: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.9-t
Argentina: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)



Source: MAPFRE Economics

* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

America, measured in terms of the various structural coefficients analyzed. (Penetration, density, depth, and MDI) is shown in Chart 3.2.9-t. As the chart shows, both depth and MDI were far below the regional average, although penetration and density were in line with said average. Furthermore, the dispersion analysis shown in the aforementioned chart shows that over the course of the 2010-2018 period, the Argentine insurance industry showed imbalanced development where, despite certain gains in penetration (determined to a large extent by the inflationary environment of the economy[36]), there was a clear decline in depth.

Insurance Market Rankings

Overall ranking

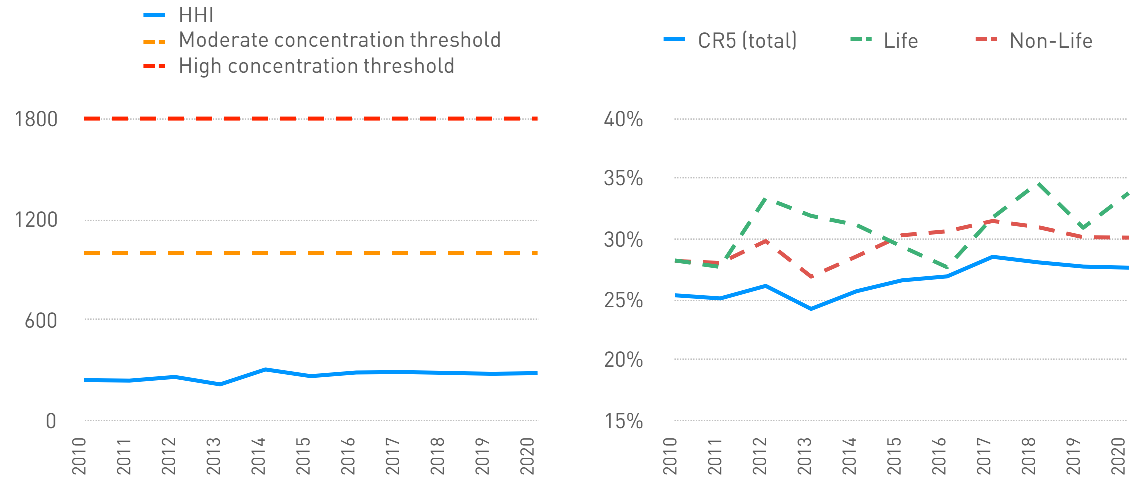
As at June 30, 2020, there were 191 insurers operating on the Argentine market, of which 18 provide Retirement insurance, 35 exclusively provide Life insurance (including Group, Individual, Pension, Health, Personal accident, and Burial), 11 exclusively working with Occupational Risk and five working exclusively with Public Passenger Transport. The remaining 122 companies are dedicated to other Property and Casualty Insurance or to "Mixed" operations. Based on this significant number of market participants, the Herfindahl and CR5 indices generally show low concentration, though they showed a slight upward trend between 2014 and 2017 (see Chart 3.2.9-u).

Chart 3.2.9-v shows the 2020 ranking of the largest insurance groups in Argentina. It is led by Sancor (11.1%) and Federación Patronal (7.3%). The only change occurring in the positioning of the groups on the ranking was the rise of Nación from tenth to eighth place and the resulting fall of Grupo Werthein from eighth to tenth.

Non-Life and Life rankings

Given the importance of Non-Life insurance in Argentina, the companies in the ranking for this segment in 2020 are practically the same as

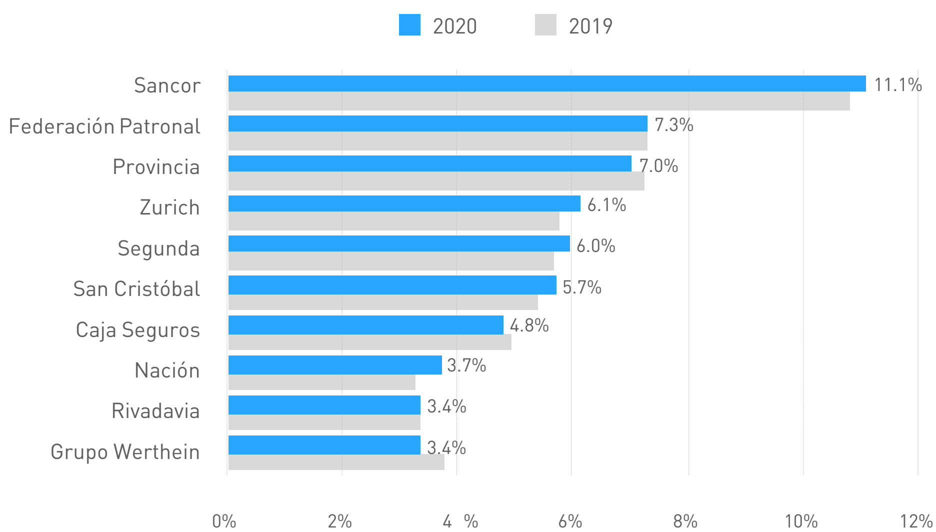
Chart 3.2.9-u
Argentina: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

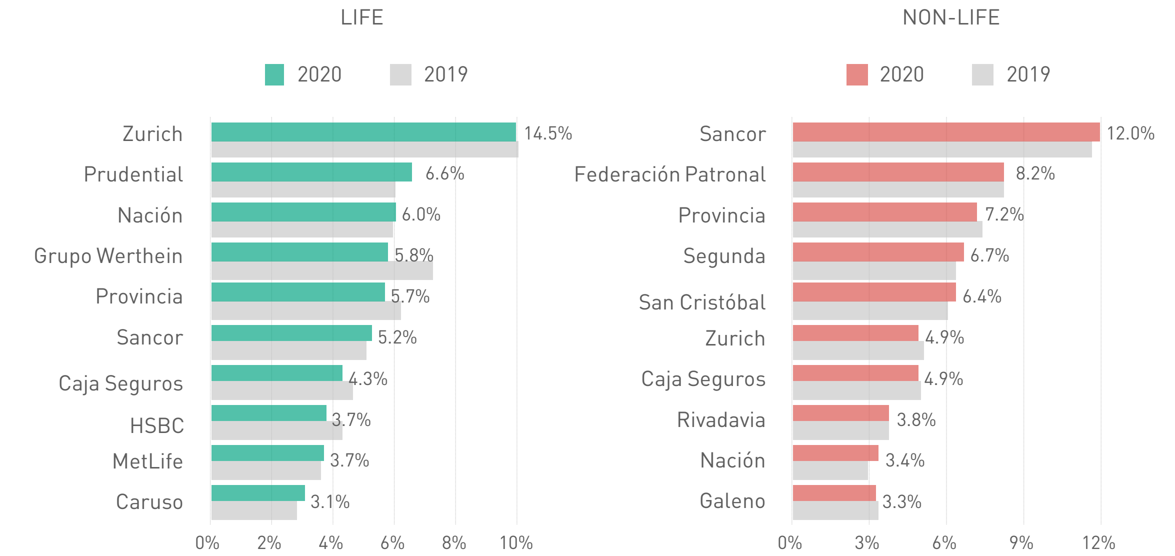
the overall ranking. Thus, Sancor led the ranking with 12.0% of premiums on the market, followed by Federación Patronal (8.2%). The first shift on the ranking occurred in ninth place, which Nación took after climbing four places, pushing Galeno to tenth. The Life ranking, on the other hand, continued to be led by Zurich with 14.5% of premiums. It was followed by Prudential and Nación, which both climbed up two places and pushed Grupo Werthein and Provincia to fourth and fifth place, respectively. The other groups stayed in the same place as the previous year (see Chart 3.2.9-w).

Chart 3.2.9-v
Argentina: Overall Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-w
Argentina: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Key Regulatory Aspects

With regard to the main regulatory adjustments in the Argentine insurance market, the following stand out:

- In addition to implementing working from home for all employees of the National Superintendency of Insurance (SSN), exclusive service channels (call centers and in-person assistance were shut down) were made available to the public, as well as for insurance product advisors and insurers and reinsurers.

- Measures were established for Claims Handlers and Breakdowns: Entry Value at the Annual Review and extension of the period to pay it until June 30, 2020[37].

- A new period was set for submitting intermediate financial statements[38].

- Communication on Automobile insurance, indicating that the SSN has not issued any resolutions requiring Insurance companies to apply discounts and/or bonuses in their policies[39].

- Extension of the deadline to pay the Annual Fee for Appointed Agents and information on its price in 2020[40].

- Temporary amendments to investment valuation, allowing companies to value their investments at their technical value[41].

- Resolution 147/2020 on the amendment of the Insurance Business Regulation to facilitate the fulfillment of technical ratios required of insurance and reinsurance companies: (i) the computability limits for certain assets are extended; (ii) the calculation formula for the Technical Reserve for Insufficient Premiums is restated for both insurance and reinsurance companies; (ii) the results allocation percentage is extended and associated with the financial structure; and (iv) the Liability Adjustment Rate used to update claims reserves is amended, giving more weight to the factor corresponding to the consumer price index. These provisions apply to financial statements closed as at June 30, 2020[42].

- Resolution 156/2020, establishing an extension to the deadline for submitting Insurance and Reinsurance Company Financial Statements (for the year ending June 30, 2020) to September 30, 2020[43].

- Resolution 332/2020 on the certificate of fitness for publicly offering insurance contracts[44].

- Resolution 263/2020 on the implementation of the "Reporting Regime for the Insurance Industry's Money Laundering and Terrorism Financing Prevention System," within the purview of the Directorship for Prevention and Monitoring of Money Laundering and Terrorism Financing, aimed at feeding the risk matrix and monitoring Insurance Companies' Prevention Systems[45].

- Resolution 482/2020, on amending Point 30.1.1.3. of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its Amendments and Supplements). Amount based on claims[46].

- Resolution 441/2020, on the creation of the "Insurance and Reinsurance Industry Roundtable" within the scope of the Technical and Regulatory Directorship of the SSN[47].

- Resolution 401/2020 on the general and uniformly applicable approval of clauses referred to as "Contracts in foreign currencies payable in foreign currencies," "Contracts entered into in foreign currency," and "Contracts entered into in foreign currency payable in legal tender." Amendments to the General Insurance Business Regulation[48].

- Resolution 378/2021 on the general and uniformly applicable approval of contractual conditions of "Third-Party Liability Insurance for unmanned aerial vehicles (UAV) and unmanned vehicle systems (UVS)[49].

- Resolution 331/2021, on the extension until June 1, 2021 of the period set out in Point 39.8.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its Amendments and Supplements) for the submission of Insurance and Reinsurance Company Financial Statements for the year ended on March 31, 2021[50].

- Resolution 268/2021, on replacing Clause SO-RC 5.1 Basic Mandatory Third-Party Liability Insurance, Article 60 of Law No. 24,449 (covering risks of death, disability, injury, and self-standing legal obligation) in the Appendix of Point 23.6 subsection A.1) of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its Amendments and Supplements), by Clause SO-RC 6.1. in Appendix I (IF-2021-20323256 -APN-GTYN#SSN)[51].

- Resolution 421/2021, on amending Point 33.4.1.4 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its Amendments and Supplements). Reserve for Incurred But Not Reported Claims (IBNR). This liability must be created with the claims that have occurred as at the date of calculation, but have not yet been reported to the insurance company. It should consist of an amount equivalent to 12% of gross written premiums from the last four quarters. Premiums must be considered in constant currency for these purposes[52].

- Resolution 492/2021, which provides, until the fiscal year ending June 30, 2022, for the amendment of the deadlines set out in sections A) and B) of Point 39.1.2.4.1.1 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its Amendments and Supplements), that: (a) for companies operating in Retirement and Life Insurance with Savings, the trend of investments reported at technical value cannot exceed

80% of their investment portfolio investments, excluding property, and (b) for insurance companies operating in the other lines of business and reinsurance companies, possession of investments accounted for at technical value will not be able to exceed 70% of its investment portfolio, excluding property[53].

3.2.10 Uruguay

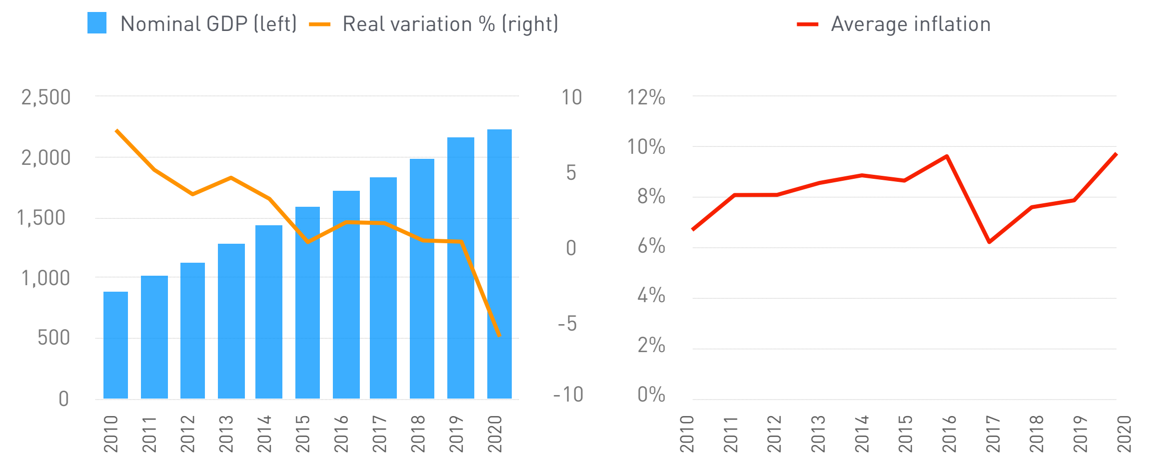
Macroeconomic Environment

The Uruguayan economy contracted significantly in 2020, -5.9% in real terms, compared to the weak 0.4% growth seen the previous year (see Chart 3.2.10-a). Its economy had already begun to decelerate two years earlier, affected by the situation in Argentina and Brazil (the country's primary trading partners), countries that also suffered an unprecedented drop in activity levels as a result of the COVID-19 pandemic. In addition to reduced foreign demand, which was also particularly influenced by the drop in tourism, there was a strong decline in private consumption due to the uncertainty caused by the measures adopted to fight the spread of the pandemic. The unemployment rate increased to stand at 10.1% (8.9% in 2019).

In response to this situation, the government implemented a package of expansionary fiscal aid measures for low-income households (channeled in part with the help of unemployment insurance) and to small and medium-sized enterprises to mitigate the drop in activity. The package of fiscal measures implemented to support the economy caused the government's fiscal deficit to close at around 6% of GDP in 2020 (vs. 4.6% in 2019), due to increased public spending and reduced tax revenue, a vulnerability that the Uruguayan economy already had prior to the pandemic due to structural problems arising from an aging population (entailing increased public spending on pensions and healthcare) that has been exacerbated as a result. Gross public debt vs. GDP closed 2020 at 75% of GDP (63.4% in 2019).

Inflation averaged 9.4% in 2020 (7.9% in 2019). The central bank modified its monetary policy in 2020, shifting focus from controlled growth with monetary aggregates to the interest rate (the overnight interbank market rate) as a way to keep a 24-month inflation target within the target range between 3% and 6% starting in September 2022 (3% and 7% until now). The inflation rate exceeded both targets due to the expansionary monetary policy implemented to fight the crisis caused by the pandemic.

Chart 3.2.10-a
Uruguay: Changes in Economic Growth and Inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)



Source: MAPFRE Economics (based on IMF and OEF data)

With regard to growth forecasts, ECLAC projects partial recovery of the Uruguayan economy with growth around 4.1% in 2021, driven by the recovery activity in the manufacturing industry, gross fixed capital formation, and the export of goods. According to this body, although the current context remains uncertain, the mass vaccination campaign has reduced the transmission rate and most activities that still had some kind of restriction are opening back up. Markets for the primary Uruguayan products are showing favorable signs, and reactivation measures in central countries have created a context of heightened international liquidity.

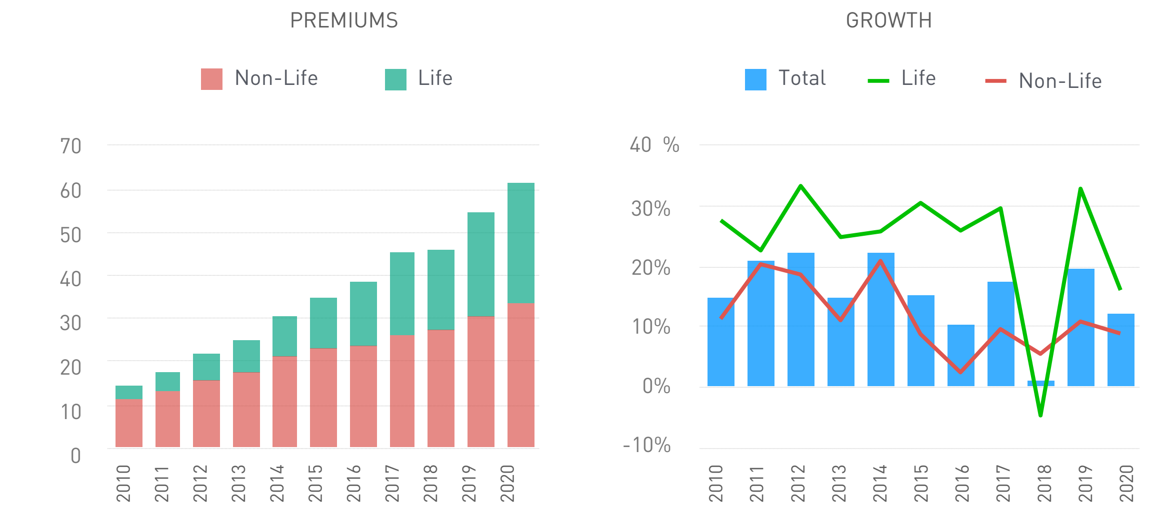
Insurance Market

Growth

Despite the unfavorable economic environment created by the pandemic in 2020, the Uruguayan insurance market performed positively with a premium volume of 61.45 billion pesos (1.46 billion dollars), entailing nominal growth of 12.1% and real growth of 2.2% (see Chart 3.2.10-b and Table 3.2.10). Life insurance was the main driver of this (+16.2%), more specifically pension insurance, which saw revenue of 20.34 billion pesos, accounting for 33.1% of total premiums, a nominal increase of 18.4%. Banco de Seguros del Estado was the company to win nearly all of this business (20.34 billion pesos). Non-Life insurance premiums reached 33.35 billion pesos (794 million dollars), with a nominal increase of 9.0% vs. the previous year, dropping -0.7% in real terms. With the exception of Workplace Accidents (-7.1%) and Surety and Credit (-20.6%), all modalities of this insurance segment saw increased premiums in both nominal and real terms.

As Chart 3.2.10-c shows, the Uruguayan insurance market's 12.1% nominal growth in 2020 was attributable to the 7.1 pp contribution from the Life insurance segment and the 5.0 pp contribution from the Non-Life insurance segment. As this chart shows, Life insurance and, more specifically pension insurance is the type of insurance that contributed the most to

Chart 3.2.10-b
Uruguay: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Table 3.2.10
Uruguay: Premium Volume[1] by Line, 2020

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**61,448**	**1,462**	**12.1**	**2.2**
Life	**28,099**	**669**	**16.2**	**5.8**
Pension	20,342	484	18.4	7.9
Non-Pension	7,756	185	10.6	0.8
Non-Life	**33,349**	**794**	**9.0**	**-0.7**
Auto	12,885	307	12.4	2.4
Other lines	3,765	90	28.1	16.7
Fire	3,109	74	35.2	23.2
Transport	1,380	33	39.4	27.0
Third-party liability	855	20	16.7	6.3
Theft	1,005	24	17.6	7.1
Surety and credit	1,020	24	-20.6	-27.7
Workplace accidents[2]	9,330	222	-7.1	-15.4

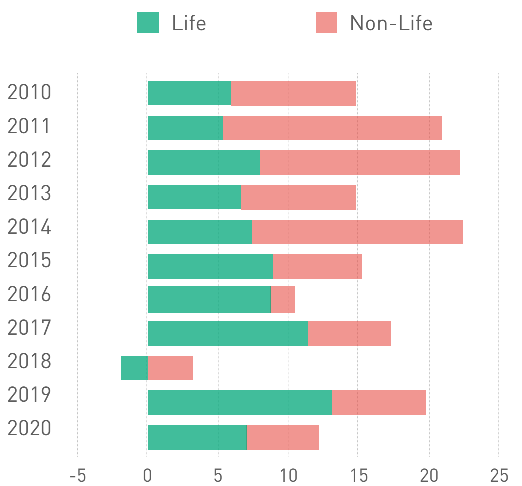
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)
1/ Gross written premiums net of cancellations
2/ The Workplace accident premium volume corresponds to Banco de Seguros del Estado.

the growth of the insurance industry over the last two years.

Balance Sheet and Shareholders' Equity

Chart 3.2.10-d shows the performance of the aggregate balance sheet over the 2010-2020 period at sector level for the Uruguayan insurance industry. According to these data, total assets in the sector amounted to 236.95 billion pesos (5.6 billion dollars) in 2020, while equity stood at 27.0 billion pesos (638 million dollars), up 15.3% on the value observed in 2019. In terms of the evolution of aggregate capitalization levels for the Uruguayan insurance industry (measured over total

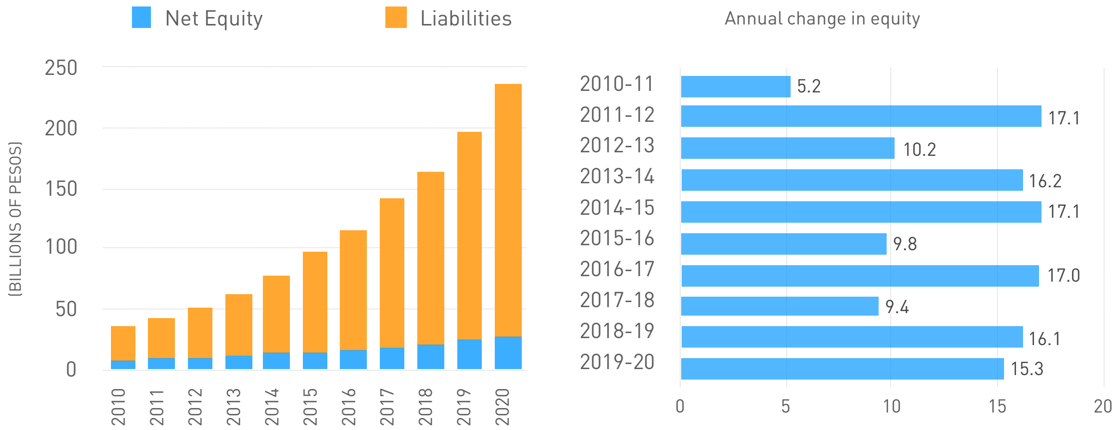
Chart 3.2.10-c
Uruguay: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2010	14.9	5.9	8.9
2011	21.0	5.4	15.6
2012	22.3	8.1	14.2
2013	14.8	6.6	8.2
2014	22.4	7.4	14.9
2015	15.3	9.0	6.2
2016	10.4	8.7	1.7
2017	17.3	11.3	6.0
2018	1.3	-1.9	3.2
2019	19.7	13.1	6.6
2020	12.1	7.1	5.0

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart: 3.2.10-d
Uruguay: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

assets), their gradual fall from 22.1% in 2010 to 11.4% in 2020 is worthy of mention.

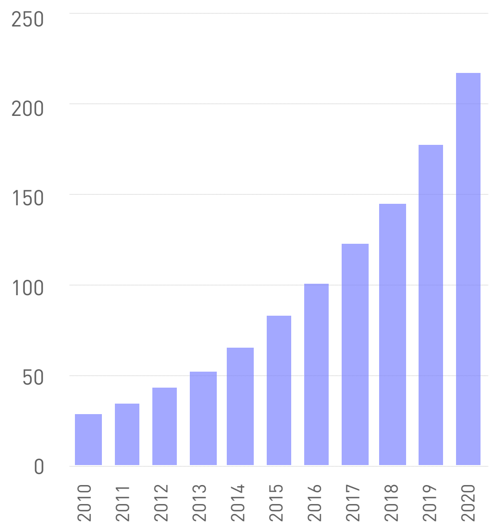
Investments

Charts 3.2.10-e, 3.2.10-f, and 3.2.10-g show investment performance and the composition of the investment portfolio for the Uruguayan insurance industry over the 2010-2020 period. According to these data, industry investments totaled 216.5 billion pesos (5.11 billion dollars), with 88.9% of investments concentrated in fixed income and equity instruments, 0.2% in real estate investments, 0.01% in cash and cash equivalents, and the remaining 10.8% in other financial investments (mainly bank deposits). An analysis of the aggregate investment portfolio notably reveals a change in the relevant importance of real estate investments, which went from 2.9% of the portfolio in 2010 to 0.2% in 2020.

Technical provisions

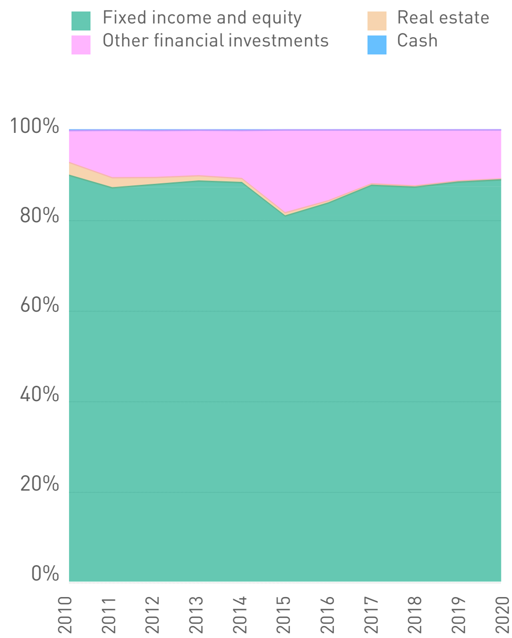
Charts 3.2.10-h, 3.2.10-i, and 3.2.10-j show the structure and changes to technical provisions in the Uruguayan insurance industry between 2010 and 2020. From According to these data, technical provisions stood at 198.16 billion (4.68 billion dollars) in 2020; 71.3% of the total corresponded to technical provisions associated with Life insurance, 4.6% to provisions for unearned premiums and unexpired risks in Non-Life insurance, and

Chart 3.2.10-e
Uruguay: Insurance Market Investments
(billions of pesos)



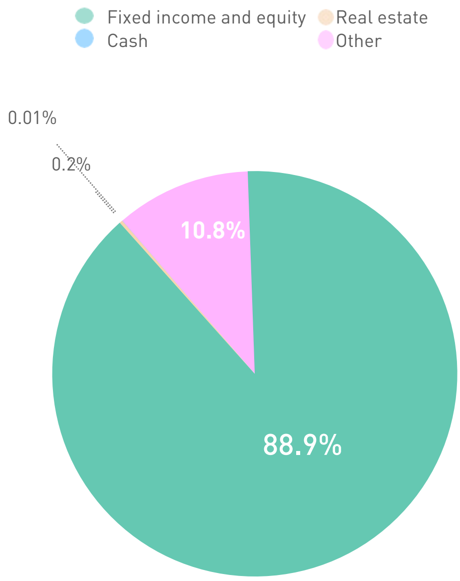
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-f
Uruguay: Structure of Investments
(%)



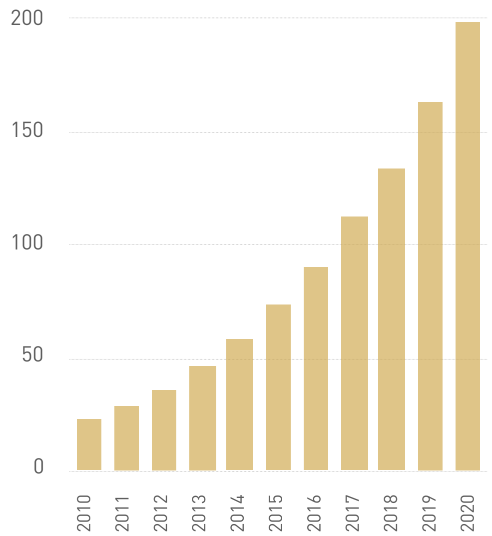
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-g
Uruguay: Structure of Investment, 2020
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-h
Uruguay: Technical Provisions of the Insurance Market
(billions of pesos)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

the remaining 24.1% to the provision for outstanding claims. Over the course of this period, the relative weight of the technical provision for Life insurance grew in a sustained manner, rising from 49.2% of total provisions in 2010 to 71.3% in 2020.

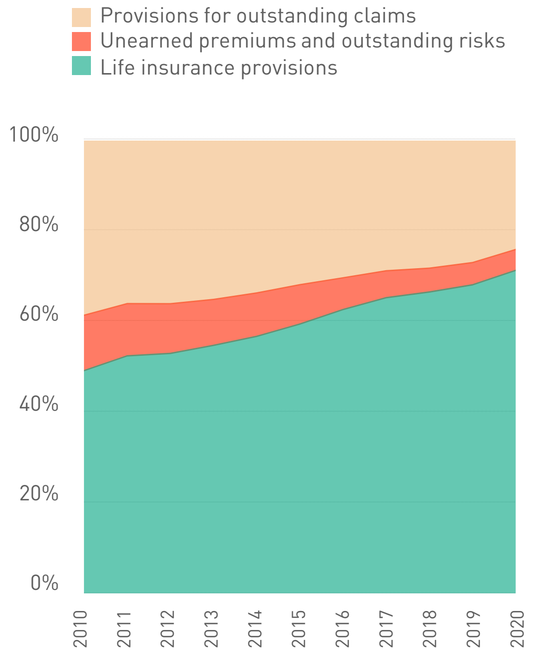
Technical performance

In the technical performance of the Uruguayan insurance market, the aggregate combined ratio rose 2.9 pp in 2020 to 109.3%, due to a 3.9 pp increase in the loss ratio, while costs fell -1.0 pp. As Chart 3.2.10-k shows, from the medium to long-term perspective of 2010-2020, there was a slight downward trend in expenses and an upward trend in the loss ratio.

Results and Profitability

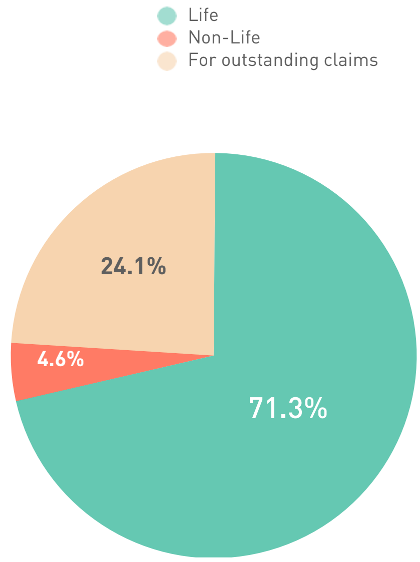
The net result from the Uruguayan insurance industry was 5.15 billion pesos (123 million dollars) in 2020, which up 50% vs. the previous

Chart 3.2.10-i
Uruguay: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

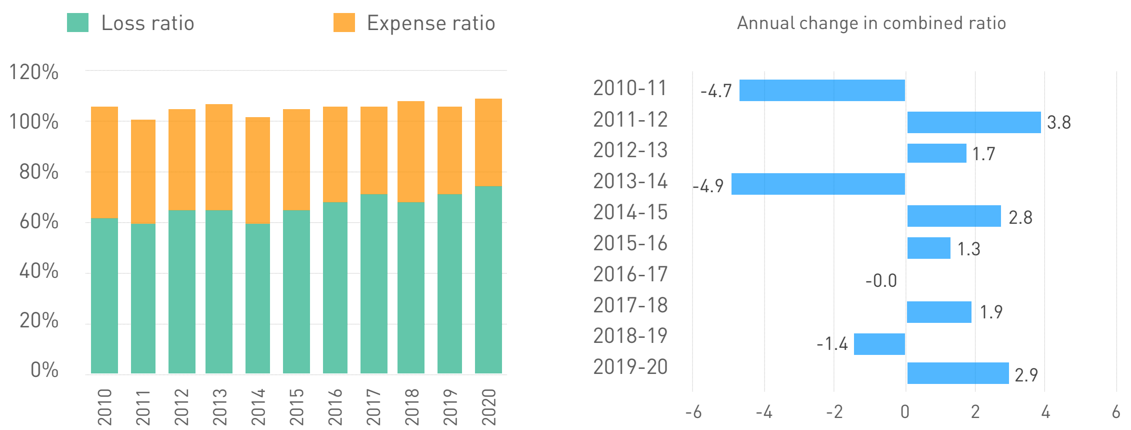
Chart 3.2.10-j
Uruguay: Structure of Technical Provisions, 2020
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

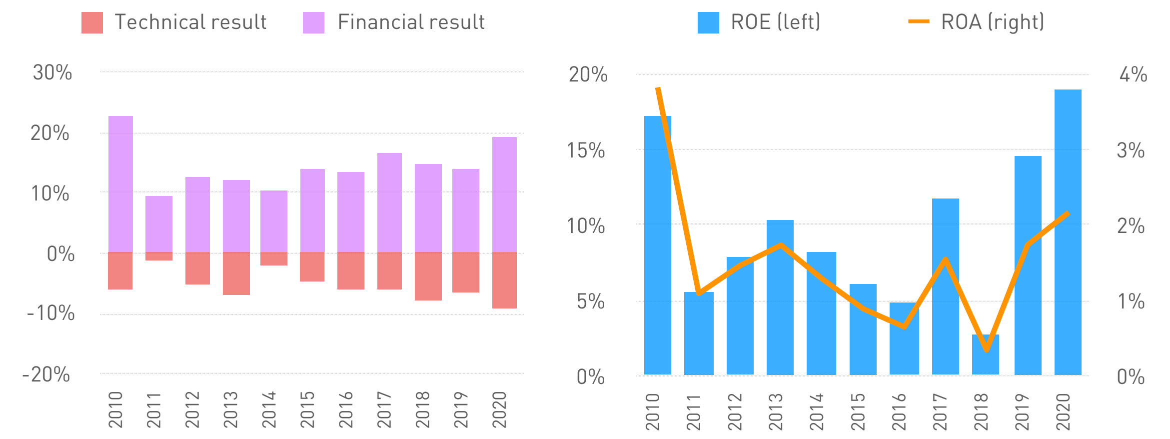
year. This extraordinary result occurred in spite of a lower technical result, which was offset by a 52.4% rise in the financial result. From the profitability standpoint, return on equity (ROE) in the Uruguayan insurance market amounted to 19.1% in 2020, up 4.4 pp vs. 2019. In a similar vein, return on assets (ROA) was 2.2% in 2020, up 0.4 pp vs. the amount recorded in 2019 (see Chart 3.2.10-l).

Chart 3.2.10-k
Uruguay: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-l
Uruguay: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Insurance penetration, density and depth

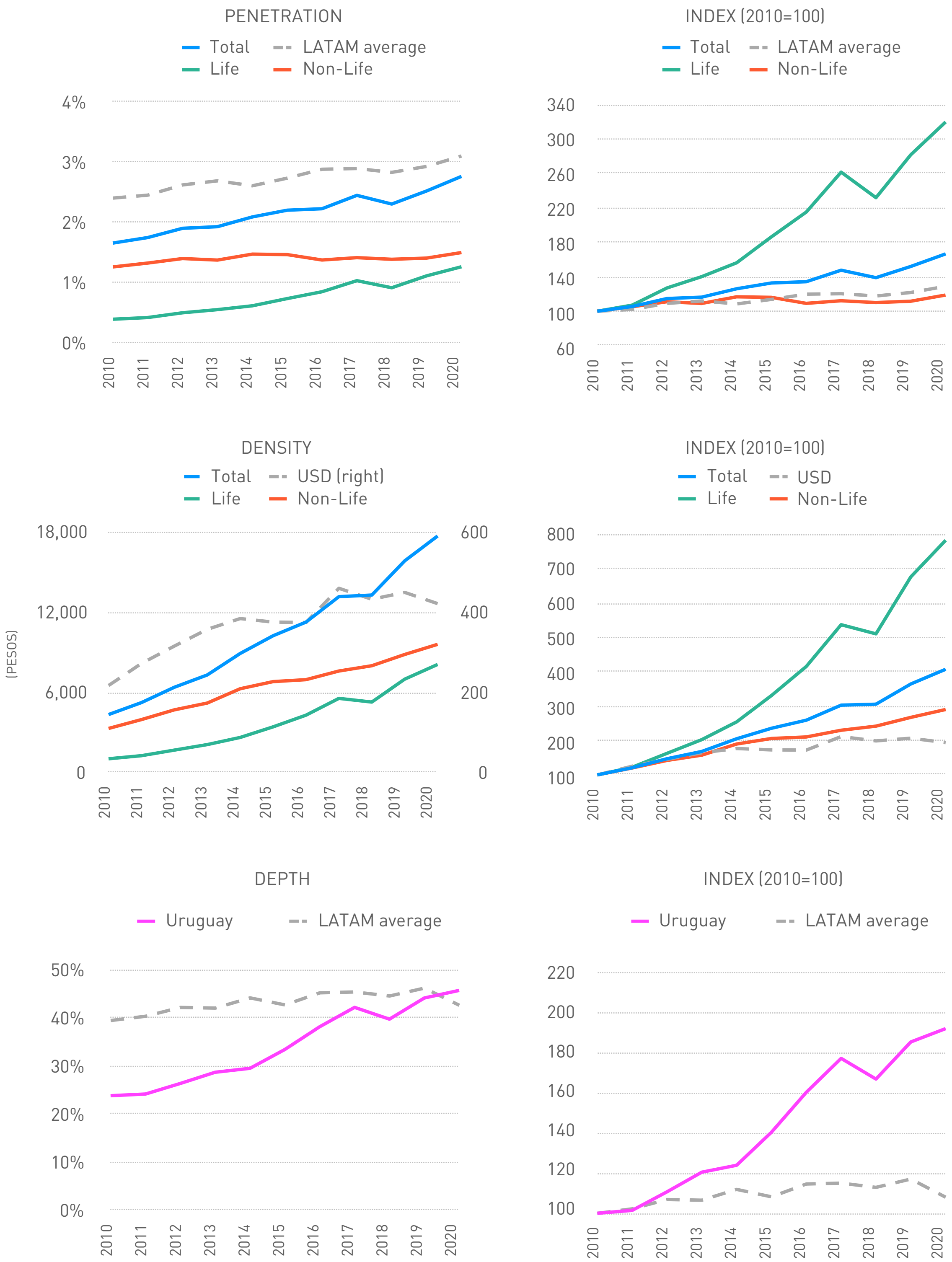
Chart 3.2.10-m shows the main structural trends shaping the development of the Uruguayan insurance industry between 2010 and 2020. First, the penetration rate (premiums/GDP) was 2.8% in 2020, up 1.1 pp on 2010 and 0.3 pp more than the value seen the previous year, with Life insurance playing an outsize role. From a medium-term perspective, the penetration rate in the Uruguayan market has shown a clear upward trend during the period under analysis, converging with the average absolute values of the region's other markets.

Insurance density in Uruguay (premiums per capita) amounted to 17,689 pesos (421 dollars), up 11.7% on the level reached in 2019 (15,830 pesos). Density (measured in local currency) followed an upward trend over the course of the period under analysis, both in the Life segment and in the Non-Life segment, with a cumulative increase of 307.5% over the 2010-2020 period. Finally, after a slight slowdown in 2018, insurance depth in the Uruguayan market (Life insurance premiums vs. total premiums) grew again to 45.7%, 21.9 pp higher than the level seen in 2010. This converges with the average for the insurance markets of Latin America as a whole.

Estimation of the Insurance Protection Gap

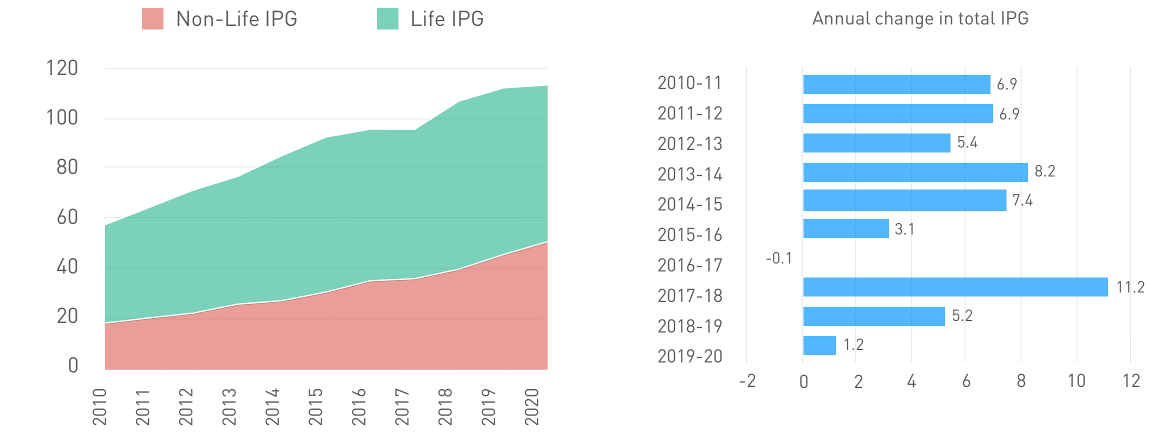
Chart 3.2.10-n provides an estimation of the insurance protection gap for the Uruguayan insurance market between 2010 and 2020. These data indicate that the IPG stood at 113.05 billion pesos (2.69 billion dollars) in 2020, 1.8 times the size of the Uruguayan insurance market at the end of that year. The structure and performance of the IPG over the period under analysis have been mainly shaped by the Life insurance segment, although it is gradually decreasing. At year end 2020, Life insurance accounted for 55.1% of the IPG (62.24 billion pesos), 12.7 pp below the share for this segment in 2010. The remaining 44.9% of the 2020 insurance gap is attributable to the Non-Life insurance segment (50.81 billion pesos). Accordingly, as Chart 3.2.10-o indicates, the potential insurance market in Uruguay at year end 2020 (the sum of the actual market plus the

Chart 3.2.10-m
Uruguay: Changes in Penetration, Density, and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2010 index=100)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-n
Uruguay: Insurance Protection Gap
(billions of pesos)



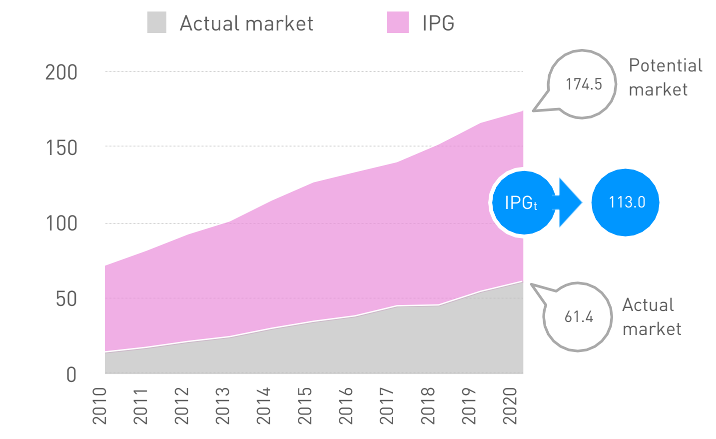
Source: MAPFRE Economics

IPG) was estimated at 174.5 billion pesos (4.15 billion dollars), representing 2.8 times the size of the total insurance market that year.

Chart 3.2.10-p provides an estimation of the insurance gap as a multiple of the actual insurance market in Uruguay. The IPG as a multiple of the market fell over the 2010-2020 period, both in the case of the Life insurance segment, which went from 11.2 to 2.2 times the size, and, to a lesser extent for the Non Life in surance (from 1.7 to 1.5 times). However, it should be noted that, in terms of the indicator for the Non-Life insurance segment, the trend reversed from 2015, meaning that the insurance gap as a multiple of this market rose from 1.3 times in 2014 to 1.5 times in 2020.

Complementing this analysis, Chart 3.2.10-q outlines the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the Uruguayan insurance market as a whole, comparing the situation in 2020 to that in 2010. This chart shows that the situation of the Uruguayan insurance market improved substantially in the Life line, while

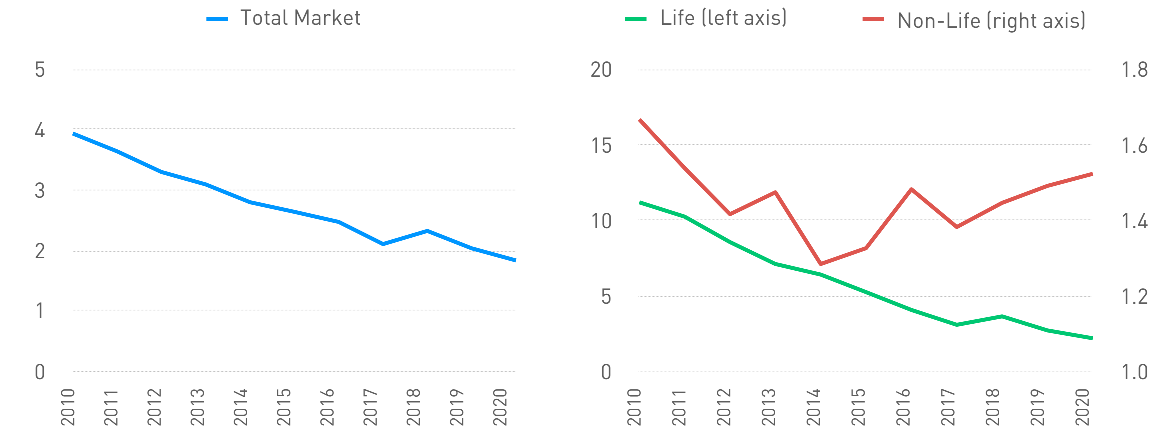
Chart 3.2.10-o
Uruguay: Insurance Protection Gap and Potential Market
(billions of pesos)



Variation	Actual market	IPG
2020-2010	321.4%	96.7%
2020-2019	12.1%	1.1%

Source: MAPFRE Economics

Chart 3.2.10-p
Uruguay: IPG as a Multiple of the Actual Market
(number of times, actual insurance market)

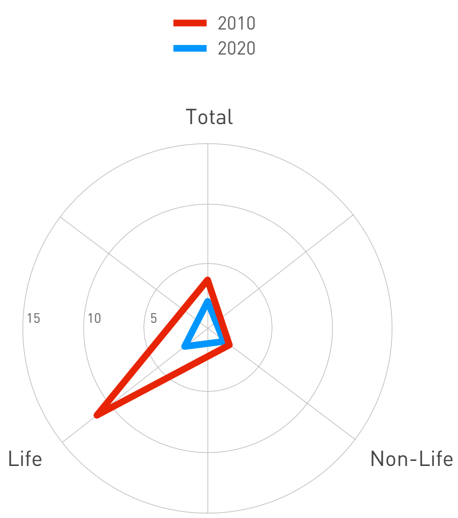


Source: MAPFRE Economics

the Non-Life segment improved marginally in terms of the gap as a multiple of the actual market, as previously mentioned.

Chart 3.2.10-r provides an update to the assessment made on the Uruguayan insurance market's capacity to bridge the insurance gap estimated in 2020, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap over the next 10 years. Accordingly, the Uruguayan insurance market grew at an average annual rate of 15.5% over the period analyzed; this growth was comprised of an annual growth rate of 23.3% in the Life insurance segment and 11.6% in the Non-Life insurance segment. Were the growth rate seen over the last decade to continue over the next 10 years, the growth rate of the Uruguayan insurance market would continue to be sufficient to close the insurance gap estimated in 2020.

Chart 3.2.10-q
Uruguay: Change in IPG as a Multiple of the Actual Market

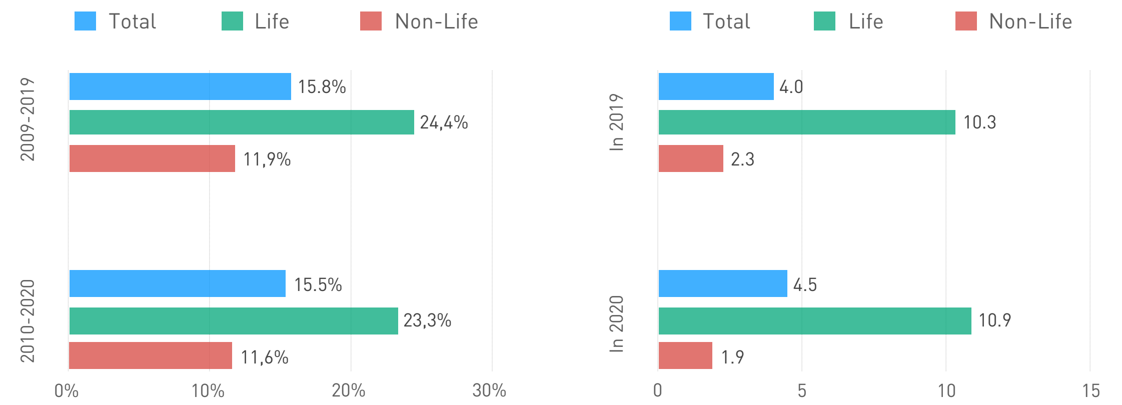


Source: MAPFRE Economics

Market Development Index (MDI)

Chart 3.2.10-s provides an estimation of the Market Development Index (MDI) for the Uruguayan insurance industry between 2005 and 2020. The MDI generally showed a positive trend throughout the period under analysis and, from 2012, onwards surpassed the average performance of the Latin American insurance markets. The chart shows the indicator fell in 2018, in line with the general performance of the market and then recovered in 2019.

Chart 3.2.10-r
Uruguay: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)

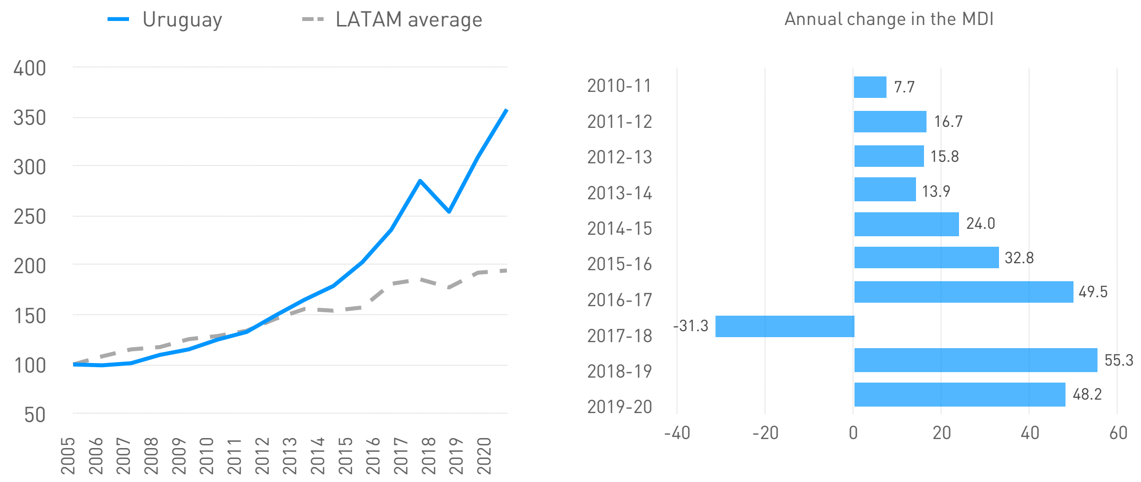


Source: MAPFRE Economics

Comparative analysis of structural coefficients

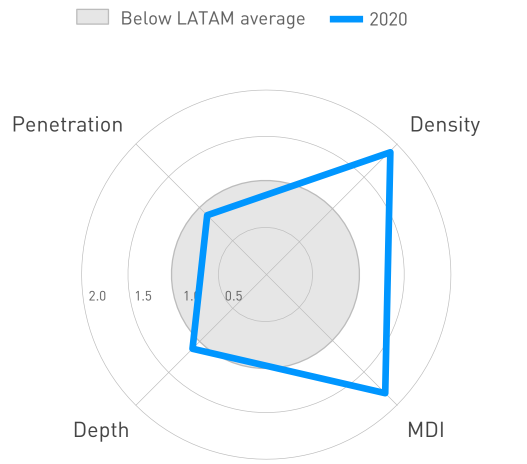
Chart 3.2.10-t shows the state of the Uruguayan insurance market in 2020 compared to the average for Latin America measured in terms of the four structural indicators analyzed in this report (penetration, density, depth, and MDI). These data show that, while penetration is still slightly below the regional average, the Uruguayan market exceeds the regional averages for density, depth, and the estimated MDI. What's more, the dispersion analysis shown in the aforementioned chart confirms that over the course of the 2010-2020 period, the Uruguayan insurance industry has been showing balanced development, characterized by improvements in both penetration and depth levels.

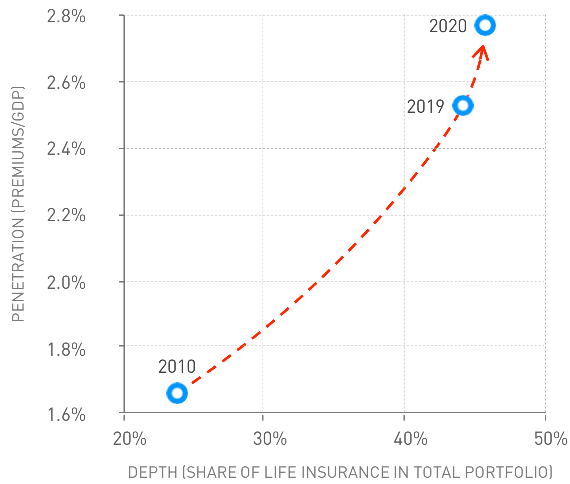
Chart 3.2.10-s
Uruguay: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.10-t
Uruguay: Comparative Structural Coefficient Index* vs. Average for Latin America (2020) and Medium-Term Changes in the Insurance Market (2010-2020)





Source: MAPFRE Economics

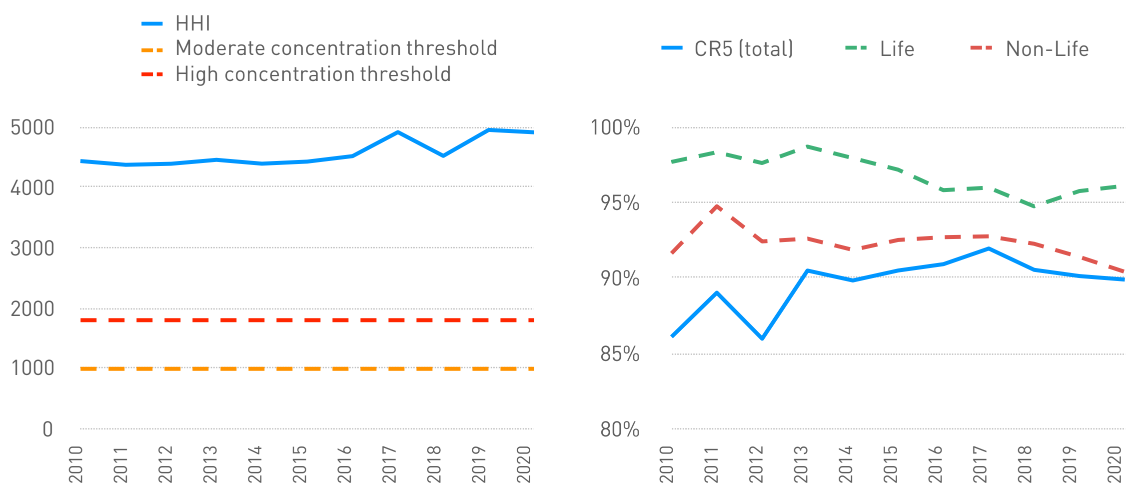
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Insurance Market Rankings

Overall ranking

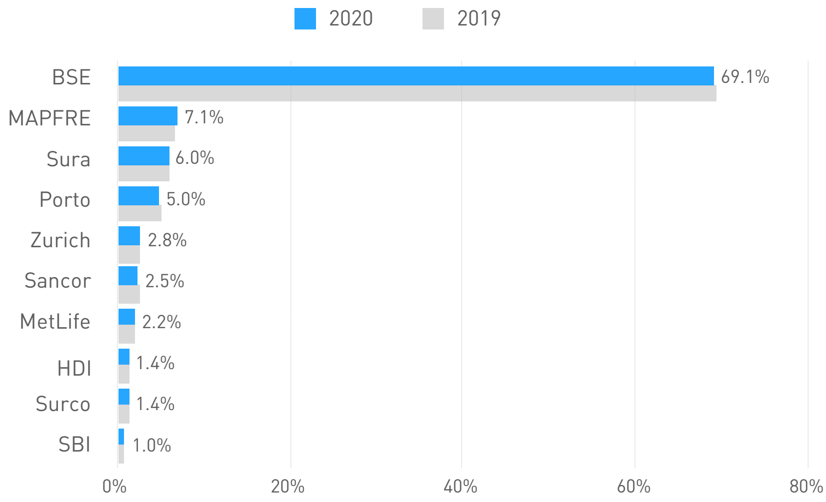
There were 16 insurance companies operating in Uruguay in 2020, of which 15 were private and one was state-owned (Banco de Seguros del Estado, BSE). BSE operates as a monopoly in the Workplace Accidents line of business. This constrains the possibility of a concentrated insurance market, with high Herfindahl and CR5 index values over the years. It should be

Chart 3.2.10-u
Uruguay: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-v
Uruguay: Overall Ranking
(market share, %)

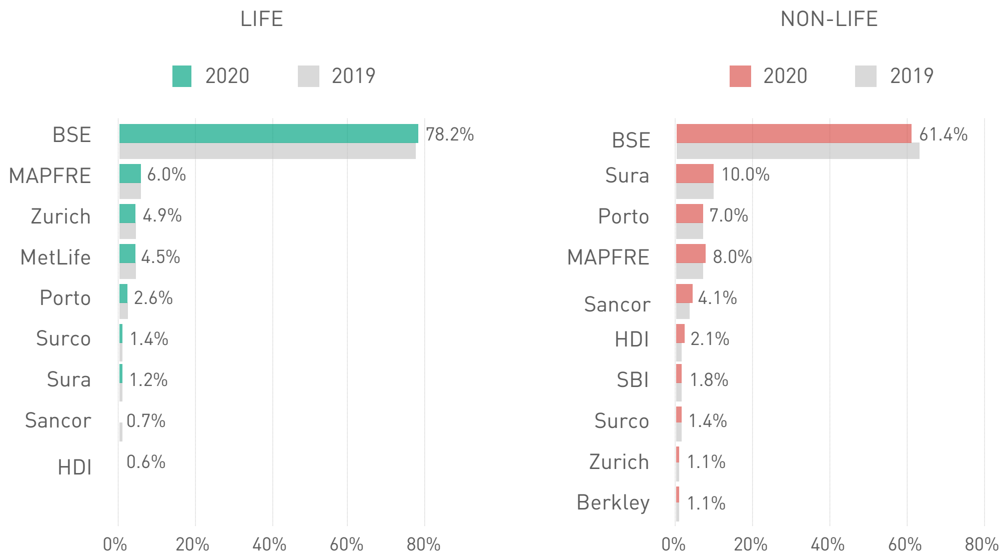


Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

noted, however, that, as shown in Chart 3.2.10-u, while the trend toward higher concentration prevailed in the Life insurance segment, the Non-Life market showed a downward trend from 2018 onwards.

In this context, BSE led the overall ranking of the Uruguayan insurance market in 2020 with 69.1% of total premiums (-0.3 pp less than 2019), with growth of 18.4% in pension Life insurance. Following behind are MAPFRE, with a share of 7.1% and Sura, with 6.0%. The only shift in the ranking occurred in eighth place,

Chart 3.2.10-w
Uruguay: Life and Non-Life Ranking
(market share, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

as HDI rose one place, pushing Surco down to ninth (see Chart 3.2.10-v).

Non-Life and Life rankings

BSE had 61.4% of the Non-Life market (1.7 pp less than the previous year) and led the 2020 Non-Life ranking, followed by Sura (10.0%). MAPFRE and Porto switched places to third and fourth with 8.0% and 7.0% respectively. BSE also led the Life ranking, increasing its market share after the significant increase in pension insurance, reaching 78.2% of premiums (1 pp more than in 2019). MAPFRE held onto second place with a market share of 6.0% while Zurich Santander took third (4.9%). The composition and positioning of the groups in the ranking did not change vs. 2019 (see Chart 3.2.10-w).

Key Regulatory Aspects

The following is a summary of the key standards in the Uruguayan insurance market issued by the Superintendency of Financial Services (SSF) in 2020 and thus far in 2021. The most relevant ongoing projects related to this market are also detailed.

First, Circulars No. 2,362, 2,363, 2,365, and 2,384 updated the provisions on the lines of insurance business and technical reserves applicable to insurance companies, reinsurance companies, and mutual insurance companies. In terms of insurance lines of business, the Circular includes definitions for existing lines of business to prevent disparity in criteria when assigning various coverages, while adding sub-lines of insurance and modifying the set of coverages that could be included under each line and establishing allocation criteria for the additional coverages and insurance types considered coverage of a different nature.

Amendments were introduced for technical reserves to adapt their formulation to existing international regulations. The major changes are listed below: (i) the Outstanding Risk Reserve (ORR) is reformulated, introducing the concept of the Unearned Premiums Reserve (UPR) and the Reserve for Insufficient Premiums (RIP); (ii) the criteria for calculating the Mathematical Reserve (MR) are detailed; and (iii) alternatives are provided for calculating the Reserve for Incurred But Not Reported Claims (IBNR) for Property and Casualty Insurance and Pension Non-Life Insurance, the application of which will depend on the company's reported loss experience and whether it has reached a critical mass of claims. The same draft regulation extends the information to be contained in technical notes that insurance companies are required to submit to the SSF (Communication No. 2020/243) and provides instructions to prepare the report based on the actuarial function report (Communication No. 2020/244).

On another note, for the sake of protecting financial services users, Circulars No. 2,348 and 2,374 were issued. The former aims to guarantee full exercise of rights for customers with different abilities, while the latter establishes the obligation to provide information on the company website as to where customer service is provided.

Circular No 2,339 introduces amendments to the service outsourcing authorizations regime, to which insurance companies are subject. It defines the services requiring express authorization and those subject to tacit authorization. Communication No. 2020/030 lists services that will not require subcontracting authorization.

Circular 2361 specifically defines the terms "formal market" and "market price" contained in the Compilation of Insurance and Reinsurance Standards. Circular 2370 introduces amendments to the regulations on the prevention of the use of financial institutions for money laundering and terrorism financing (LAFT), for the purposes of aligning them with the new law in effect in this regard (No. 19,749), requiring immediate preventive freezing of funds and other financial resources of individuals and legal entities associated with the financing of terrorism and the financing of the proliferation of weapons of mass destruction. Communication No. 2020/167 notifies insurance and reinsurance companies that the anti-money laundering and terrorism financing requirements (Book III of the Compilation of Insurance and Reinsurance Standards) will only apply to them when they participate in activities related to underwriting and placement of Life insurance and other insurance policies with an investment element.

Circular No. 2389 amended the benchmark performance curve applicable for determining pension earnings and technical reserves corresponding to group disability and death insurance and life annuity pension insurance. With the creation of the Pension Unit (PU) in 2019 (which grows in line with the Average Nominal Wage Index) and said unit's performance on the emerging securities market, there is now a PU benchmark curve that will serve as a starting point for calculating the yield curve applicable for its determination. Meanwhile, Circular No. 2390 increased the margin that insurance companies can deduct from said benchmark yield curve. Said margin includes elements like management costs, profit margin, and the differences between regulatory parameters and those used to consider each insurance company's actual population and projected population.

Lastly, it is worth mentioning that draft regulations are being considered to govern certain aspects of the new Insurance Act (No. 19,678), which will apply to insurance companies offering pension insurance. First, it will establish an obligation to define a set of assets affected by pension technical reserves and the debts with insured parties resulting from pension insurance, which must be sufficient to cover the said obligations and follow certain diversification rules. In turn, custodial accounts must be individually identified and have separate deposit accounts for the purposes of calculating them to hedge pension liabilities. Moreover, the conditions set out in the law provide special requirements for these companies when reshaping deficit situations in their technical ratios.

Index of Tables and Charts

Tables

Charts

References

1/ See: MAPFRE Economics (2021), *2021 Economic and industry outlook: third quarter perspectives*, Madrid, Fundación MAPFRE.

2/ Economic Commission for Latin America and the Caribbean (ECLAC), *Fiscal Panorama of Latin America and the Caribbean, 2021* (LC/PUB.2021/5-P), Santiago, 2021 and International Monetary Fund (IMF), *Fiscal Monitor: A Fair Shot*, April 2021.

3/ Economic Commission for Latin America and the Caribbean (ECLAC), *Economic Survey of Latin America and the Caribbean 2021.*

4/ IMF, estimates July 2021.

5/ Based on data from Swiss RE.

6/ See: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World Population Prospects 2019*, Online Edition.

7/ Does not include 2020 data for Venezuela and the Dominican Republic (or 2019 for the purposes of comparison), due to the information being unavailable on the date of conclusion of this report.

8/ The penetration, density, and depth data, as well as the measurement of the Insurance Protection Gap (IPG) and the Market Development Index (MDI) for 2019 and prior years may show differences from those presented in the 2020 report (MAPFRE Economics [2020], *The Latin American Insurance Market in 2019*, Madrid, Fundación MAPFRE), by virtue of updates to insurance premium figures in Latin American markets reported by supervisory agencies, adjustments in the gross domestic product data published by the corresponding entities in each country, and adjustments to insurance market penetration parameters used in the IPG estimation as a result of updates to insurance premium and gross domestic product figures.

9/ Bear in mind that methodologically, the IPG can be estimated in two ways. The first, in an ex-post approach, is based on observed losses. In this case, the IPG is the difference between recorded economic losses in a specific period and the portion of said losses that were covered through the mechanism of insurance compensation. The second is an ex-ante approach that analyzes optimal protection levels, estimated as the difference between the level of coverage socially and economically appropriate to cover risk compared to the actual level of protection. The second approach was selected for this fiscal year's report, which involved determining the spread between the optimal and actually covered amounts, contemplated as the differential between penetration indices of each Latin American insurance market with respect to an average of advanced markets (United States, Canada, Japan, and 27 countries of the European Union).

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28/ See: https://www.cnbs.gob.hn/blog/circulares/circular-cnbs-no-018-2020/

29/ Figures updated for 2019 with the Annual Report of the Insurance Commissioner's Office.

30/ Refers to mandatory insurance taken out by Pension Funds to cover disability and survivors contingencies for parties paying into Individual Benefit Plans Covered by Pooled Contributions.

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33/ See: https://www.argentina.gob.ar/normativa/nacional/resoluci%C3%B3n-254-2020-340870/texto

34/ See: Gallo, Carlos (2020). Balances 2020: por qué los resultados técnicos son positivos. Todo riesgo. [Balance Sheets 2020: Why Technical Results Are Positive. All Risk.] Retrieved from: https://www.todoriesgo.com.ar/columna-carlos-gallo-resultados-tecnicos-balances/

35/ However, it is important to note that the drop observed in 2020 in the insurance protection gap in the Argentine market was also affected by the above-mentioned accounting changes, as well as by the significant fall in GDP that year and its effect on penetration levels.

36/ In the insurance business, the production cycle is reversed and the pricing of product rates is based on an estimate of a cost to be incurred in the future rather than an incurred cost. In the case of insurance, the most important component of that future cost is the loss ratio, which (especially in Non-Life insurance) is strongly determined by the general price level of the economy. Thus, estimating penetration is comparing the expected cost of the following year against the current year's economy's production flow, which, in high-inflation scenarios, can lead to overestimating the indicator.

37/ See: https://www.argentina.gob.ar/sites/default/files/ssn_200407_liqsiniestroaverias.pdf

38/ See: https://www.boletinoficial.gob.ar/detalleAviso/primera/227941/20200417

39/ See: https://www.argentina.gob.ar/noticias/comunicado-sobre-el-seguro-de-vehiculos-automotores-yo- remolcados

40/ See: https://www.argentina.gob.ar/sites/default/files/ssn_if-2020-24598025-apn-ssn_mec.pdf

41/ See: https://www.boletinoficial.gob.ar/detalleAviso/primera/228987/20200511

42/ See: https://www.boletinoficial.gob.ar/detalleAviso/primera/230266/20200608?busqueda=1

43/ See:https://www.boletinoficial.gob.ar/detalleAviso/primera/230528/20200611?busqueda=1

44/ See: https://www.boletinoficial.gob.ar/detalleAviso/primera/235410/20200928

45/ See: https://www.argentina.gob.ar/normativa/nacional/resoluci%C3%B3n-263-2020-341068

46/ See: http://servicios.infoleg.gob.ar/infolegInternet/anexos/345000349999/345468/norma.htm

47/ See: http://servicios.infoleg.gob.ar/infolegInternet/verNorma.do?id=344643

48/ See: http://servicios.infoleg.gob.ar/infolegInternet/verNorma.do?id=343947

49/ See: http://servicios.infoleg.gob.ar/infolegInternet/
verNorma.do;jsessionid=59A873F66657805A978A531B7DC6B234?id=349594

50/ See: http://servicios.infoleg.gob.ar/infolegInternet/verNorma.do?id=348664

51/ See: http://servicios.infoleg.gob.ar/infolegInternet/verNorma.do?id=347983

52/ See: https://www.boletinoficial.gob.ar/detalleAviso/primera/244585/20210519

53/ See: http://servicios.infoleg.gob.ar/infolegInternet/anexos/350000-354999/350891/norma.htm

Statistical Appendix

Table A.1. Mexico: Main Insurance Market Figures and Indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	243,041	113,033	130,008	3.5%	-0.6%	653,738	520,469	549,120	493,603	104,618	109.1	-14,616	38,030	14.4%	2.3%
2011	277,003	125,297	151,706	14.0%	10.2%	760,855	593,981	640,174	572,675	120,681	107.6	-13,356	40,627	14.3%	2.3%
2012	308,257	142,811	165,446	11.3%	6.9%	834,069	663,036	703,352	635,864	130,718	106.4	-12,289	46,402	18.2%	2.9%
2013	341,351	159,058	182,293	10.7%	6.7%	927,429	726,451	791,825	714,968	135,604	105.2	-11,465	43,024	16.9%	2.5%
2014	357,465	169,178	188,287	4.7%	0.7%	1,038,144	806,795	896,113	812,993	142,031	106.1	-14,431	50,546	17.9%	2.4%
2015	391,210	181,918	209,293	9.4%	6.5%	1,164,846	906,063	1,014,786	920,402	150,060	105.5	-14,606	47,648	14.1%	1.8%
2016	443,429	209,146	234,283	13.3%	10.2%	1,333,539	1,022,961	1,147,457	1,027,596	186,082	104.1	-12,612	63,719	20.8%	2.9%
2017	484,322	214,897	269,425	9.2%	3.0%	1,456,244	1,111,609	1,254,968	1,122,988	201,276	108.0	-25,958	86,262	23.4%	3.2%
2018	523,902	242,817	281,085	8.2%	3.1%	1,550,682	1,195,650	1,335,629	1,196,364	215,053	102.8	-10,558	79,043	22.1%	3.1%
2019	582,245	270,456	311,789	11.1%	7.2%	1,687,453	1,310,484	1,451,681	1,296,873	235,772	104.3	-17,516	99,083	24.7%	3.5%
2020	583,563	274,240	309,322	0.2%	-3.1%	1,833,953	1,474,737	1,580,653	1,439,725	253,299	106.7	-27,092	95,773	19.6%	2.7%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.8%	0.8%	1.0%	2,130	991	1,139	46.5%	854,054	532,854	321,200	3.5	4.7	2.5
2011	1.9%	0.9%	1.0%	2,394	1,083	1,311	45.2%	917,477	574,318	343,159	3.3	4.6	2.3
2012	1.9%	0.9%	1.0%	2,629	1,218	1,411	46.3%	990,012	618,800	371,212	3.2	4.3	2.2
2013	2.1%	1.0%	1.1%	2,873	1,339	1,534	46.6%	948,498	575,339	373,160	2.8	3.6	2.0
2014	2.0%	1.0%	1.1%	2,970	1,406	1,564	47.3%	1,036,251	634,446	401,805	2.9	3.8	2.1
2015	2.1%	1.0%	1.1%	3,210	1,493	1,718	46.5%	1,103,223	677,524	425,699	2.8	3.7	2.0
2016	2.2%	1.0%	1.2%	3,595	1,696	1,900	47.2%	1,119,224	663,825	455,400	2.5	3.2	1.9
2017	2.2%	1.0%	1.2%	3,881	1,722	2,159	44.4%	1,190,209	718,089	472,120	2.5	3.3	1.8
2018	2.2%	1.0%	1.2%	4,152	1,924	2,227	46.3%	1,284,673	764,624	520,049	2.5	3.1	1.9
2019	2.4%	1.1%	1.3%	4,564	2,120	2,444	46.5%	1,296,135	748,063	548,072	2.2	2.8	1.8
2020	2.5%	1.2%	1.3%	4,526	2,127	2,399	47.0%	1,235,016	667,264	567,752	2.1	2.4	1.8

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.2. Guatemala: Main Insurance Market Figures and Indicators
(millions of quetzales)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	3,805	745	3,060	7.4%	3.4%	4,665	3,276	3,254	3,005	1,410	98.1	48	230	18.0%	5.4%
2011	4,718	923	3,796	24.0%	16.8%	6,662	4,277	4,737	3,366	1,925	95.3	135	283	21.2%	6.1%
2012	4,646	952	3,694	-1.5%	-5.1%	6,671	4,591	4,543	3,340	2,128	94.5	170	310	21.2%	6.8%
2013	5,219	1,057	4,162	12.3%	7.6%	7,359	5,041	4,916	3,398	2,443	91.2	293	343	24.6%	8.2%
2014	5,639	1,187	4,452	8.1%	4.5%	7,889	5,463	5,121	3,648	2,768	91.0	318	363	23.2%	8.1%
2015	5,966	1,176	4,790	5.8%	3.3%	8,686	5,640	5,619	3,993	3,067	93.3	256	378	21.7%	7.7%
2016	6,313	1,271	5,042	5.8%	1.3%	9,132	5,951	5,817	4,964	3,314	93.3	284	389	19.7%	7.2%
2017	6,802	1,418	5,384	7.7%	3.2%	9,973	6,382	6,380	4,775	3,593	92.1	357	407	21.0%	7.6%
2018	7,005	1,462	5,542	3.0%	-0.7%	10,637	7,213	6,754	4,864	3,883	88.2	557	450	22.9%	8.4%
2019	7,525	1,627	5,898	7.4%	3.6%	11,048	7,489	7,042	5,082	4,006	90.1	486	459	23.5%	8.5%
2020	7,841	1,704	6,136	4.2%	1.7%	11,719	7,868	7,367	5,611	4,352	85.8	723	428	25.7%	9.5%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.1%	0.2%	0.9%	260	51	209	19.6%	23,645	15,416	8,229	6.2	20.7	2.7
2011	1.3%	0.2%	1.0%	316	62	254	19.6%	25,364	16,697	8,667	5.4	18.1	2.3
2012	1.2%	0.2%	0.9%	304	62	242	20.5%	27,440	17,871	9,569	5.9	18.8	2.6
2013	1.3%	0.3%	1.0%	335	68	267	20.3%	27,777	17,729	10,047	5.3	16.8	2.4
2014	1.3%	0.3%	1.0%	354	75	280	21.1%	30,018	19,373	10,645	5.3	16.3	2.4
2015	1.3%	0.2%	1.0%	367	72	295	19.7%	32,338	20,852	11,486	5.4	17.7	2.4
2016	1.3%	0.3%	1.0%	381	77	304	20.1%	32,658	20,500	12,158	5.2	16.1	2.4
2017	1.3%	0.3%	1.0%	402	84	318	20.8%	33,370	20,965	12,405	4.9	14.8	2.3
2018	1.3%	0.3%	1.0%	406	85	321	20.9%	35,266	22,084	13,182	5.0	15.1	2.4
2019	1.3%	0.3%	1.0%	428	93	335	21.6%	37,847	22,975	14,872	5.0	14.1	2.5
2020	1.3%	0.3%	1.0%	438	95	343	21.7%	38,968	22,529	16,439	5.0	13.2	2.7

Source: MAPFRE Economics (based on data from the Superintendency of Banks)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.3. Honduras: Main Insurance Market Figures and Indicators
(millions of lempiras)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	5,693	1,505	4,187	6.3%	1.6%	9,132	6,554	5,546	3,962	3,586	89.0	361	406	20.8%	8.2%
2011	6,237	1,799	4,438	9.6%	2.6%	9,591	7,061	5,784	4,293	3,807	88.2	434	387	19.5%	7.7%
2012	6,903	2,026	4,877	10.7%	5.2%	10,974	8,057	6,461	4,939	4,513	89.1	440	548	19.7%	8.1%
2013	7,499	2,315	5,184	8.6%	3.3%	11,622	8,371	7,220	5,107	4,402	94.0	255	713	17.1%	6.5%
2014	7,961	2,421	5,541	6.2%	0.1%	12,477	8,328	7,937	5,533	4,540	92.0	337	756	15.7%	5.7%
2015	8,726	2,792	5,934	9.6%	6.2%	13,401	8,877	8,622	5,765	4,779	85.3	665	639	19.0%	6.8%
2016	9,581	3,288	6,294	9.8%	6.9%	14,910	9,648	9,454	6,165	5,456	84.5	755	591	19.3%	7.1%
2017	10,362	3,179	7,184	8.1%	4.1%	16,561	10,057	10,406	7,189	6,155	81.3	893	580	17.5%	6.5%
2018	11,158	3,622	7,536	7.7%	3.2%	16,361	9,838	10,602	7,302	5,759	81.0	887	578	21.4%	7.5%
2019	11,244	3,845	7,398	0.8%	-3.4%	16,422	10,572	10,158	7,326	6,264	84.6	839	721	20.7%	7.9%
2020	11,569	3,959	7,610	2.9%	-0.6%	25,158	11,423	18,663	14,907	6,495	85.5	804	658	18.4%	4.8%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.9%	0.5%	1.4%	684	181	503	26.4%	18,872	12,957	5,916	3.3	8.6	1.4
2011	1.9%	0.5%	1.3%	735	212	523	28.8%	21,051	14,183	6,867	3.4	7.9	1.5
2012	1.9%	0.6%	1.3%	799	234	564	29.3%	22,755	15,373	7,383	3.3	7.6	1.5
2013	2.0%	0.6%	1.4%	852	263	589	30.9%	22,339	14,674	7,665	3.0	6.3	1.5
2014	1.9%	0.6%	1.3%	889	270	619	30.4%	25,090	16,637	8,453	3.2	6.9	1.5
2015	1.9%	0.6%	1.3%	958	306	651	32.0%	28,321	18,513	9,808	3.2	6.6	1.7
2016	1.9%	0.7%	1.3%	1,034	355	679	34.3%	28,918	18,220	10,698	3.0	5.5	1.7
2017	1.9%	0.6%	1.3%	1,099	337	762	30.7%	31,123	19,935	11,188	3.0	6.3	1.6
2018	1.9%	0.6%	1.3%	1,164	378	786	32.5%	32,992	20,972	12,021	3.0	5.8	1.6
2019	1.8%	0.6%	1.2%	1,154	395	759	34.2%	36,021	21,783	14,238	3.2	5.7	1.9
2020	2.0%	0.7%	1.3%	1,168	400	768	34.2%	34,831	20,063	14,769	3.0	5.1	1.9

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.4. El Salvador: Main Insurance Market Figures and Indicators
(millions of USD)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	453	159	295	2.8%	1.6%	625	475	298	200	327	85.9	36	12	14.2%	7.4%
2011	478	171	307	5.4%	0.2%	629	479	323	216	305	87.3	35	14	15.0%	7.3%
2012	503	187	315	5.2%	3.5%	663	497	340	228	323	90.0	30	19	14.2%	6.9%
2013	546	210	336	8.6%	7.8%	724	561	381	254	343	90.6	31	19	13.8%	6.6%
2014	572	225	347	4.7%	3.5%	775	600	410	282	365	92.8	25	20	12.9%	6.1%
2015	609	233	376	6.4%	7.2%	841	645	461	295	380	98.7	5	22	9.7%	4.4%
2016	621	216	405	2.0%	1.4%	817	607	448	299	369	98.8	5	25	8.1%	3.7%
2017	616	215	401	-0.8%	-1.8%	855	632	476	307	380	97.6	9	24	9.3%	4.1%
2018	658	219	438	6.7%	5.6%	891	648	496	317	396	98.8	5	27	9.2%	4.1%
2019	702	237	465	6.8%	6.7%	932	650	532	323	400	100.9	-4	24	8.9%	3.8%
2020	722	260	462	2.8%	2.6%	971	667	563	352	408	102.7	-11	18	7.1%	3.0%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	2.5%	0.9%	1.6%	73	26	48	35.0%	1,061	733	328	2.3	4.6	1.1
2011	2.4%	0.8%	1.5%	77	28	49	35.8%	1,174	797	378	2.5	4.7	1.2
2012	2.4%	0.9%	1.5%	81	30	51	37.3%	1,252	842	410	2.5	4.5	1.3
2013	2.5%	1.0%	1.5%	87	33	54	38.4%	1,196	783	414	2.2	3.7	1.2
2014	2.5%	1.0%	1.5%	91	36	55	39.4%	1,229	813	416	2.1	3.6	1.2
2015	2.6%	1.0%	1.6%	96	37	59	38.2%	1,277	852	425	2.1	3.7	1.1
2016	2.6%	0.9%	1.7%	98	34	64	34.9%	1,257	833	424	2.0	3.8	1.0
2017	2.5%	0.9%	1.6%	96	34	63	34.9%	1,291	847	444	2.1	3.9	1.1
2018	2.5%	0.8%	1.7%	102	34	68	33.3%	1,350	899	451	2.1	4.1	1.0
2019	2.6%	0.9%	1.7%	109	37	72	33.8%	1,375	889	486	2.0	3.8	1.0
2020	2.9%	1.1%	1.9%	111	40	71	36.0%	1,214	742	472	1.7	2.9	1.0

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.5. Nicaragua: Main Insurance Market Figures and Indicators
(millions of cordobas)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	2,478	367	2,110	9.9%	4.2%	3,667	2,530	2,646	1,949	1,021	94.5	82	180	26.6%	7.4%
2011	2,765	418	2,347	11.6%	3.3%	4,193	3,003	2,929	2,217	1,264	99.5	8	174	22.7%	6.8%
2012	3,255	514	2,741	17.7%	9.8%	4,944	3,486	3,490	2,598	1,453	94.4	103	166	17.8%	5.2%
2013	3,878	668	3,210	19.1%	11.2%	5,793	4,096	4,190	2,997	1,603	89.6	236	178	22.3%	6.2%
2014	4,615	823	3,792	19.0%	12.2%	6,795	4,788	4,820	3,450	1,975	87.2	350	213	22.8%	6.6%
2015	5,198	916	4,282	12.6%	8.3%	7,857	5,533	5,521	3,916	2,336	86.6	431	269	23.6%	7.0%
2016	5,848	1,111	4,737	12.5%	8.7%	9,268	6,493	6,529	4,709	2,738	89.1	403	347	21.4%	6.3%
2017	6,618	1,295	5,324	13.2%	9.0%	11,132	7,597	7,684	5,571	3,448	82.8	718	431	27.4%	8.5%
2018	7,066	1,451	5,615	6.8%	1.7%	12,012	8,356	7,648	5,080	4,364	84.3	753	466	24.0%	8.7%
2019	6,766	1,367	5,399	-4.2%	-9.1%	12,853	8,755	7,667	5,127	5,185	90.7	397	541	18.4%	7.4%
2020	6,888	1,329	5,559	1.8%	-1.8%	13,512	9,781	7,631	5,165	5,881	97.2	109	581	12.6%	5.5%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.3%	0.2%	1.1%	425	63	362	14.8%	12,875	8,671	4,204	5.2	23.6	2.0
2011	1.3%	0.2%	1.1%	468	71	398	15.1%	15,087	10,038	5,049	5.5	24.0	2.2
2012	1.3%	0.2%	1.1%	544	86	458	15.8%	17,099	11,427	5,672	5.3	22.2	2.1
2013	1.4%	0.2%	1.2%	640	110	529	17.2%	17,639	11,583	6,056	4.5	17.3	1.9
2014	1.5%	0.3%	1.2%	751	134	617	17.8%	19,969	13,352	6,617	4.3	16.2	1.7
2015	1.5%	0.3%	1.2%	835	147	688	17.6%	22,781	15,175	7,606	4.4	16.6	1.8
2016	1.5%	0.3%	1.2%	928	176	751	19.0%	23,672	15,380	8,292	4.0	13.8	1.8
2017	1.6%	0.3%	1.3%	1,037	203	834	19.6%	25,009	16,327	8,682	3.8	12.6	1.6
2018	1.7%	0.4%	1.4%	1,093	224	868	20.5%	24,626	16,203	8,423	3.5	11.2	1.5
2019	1.6%	0.3%	1.3%	1,034	209	825	20.2%	25,103	15,914	9,189	3.7	11.6	1.7
2020	1.7%	0.3%	1.3%	1,040	201	839	19.3%	25,923	15,658	10,265	3.8	11.8	1.8

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.6. Costa Rica: Main Insurance Market Figures and Indicators
(millions of colones)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	377,750	33,235	344,515	6.8%	1.0%	1,155,893	n/a	689,849	545,786	466,044	101.8	-4,378	61,717	9.2%	3.7%
2011	401,191	42,428	358,762	6.2%	1.3%	1,340,977	1,012,246	806,556	602,105	534,421	106.4	-17,020	70,042	10.2%	4.1%
2012	466,156	55,542	410,614	16.2%	11.2%	1,484,494	1,121,715	897,830	670,748	586,664	104.4	-14,203	83,428	8.4%	3.3%
2013	517,980	69,625	448,355	11.1%	5.6%	1,634,857	1,259,540	956,010	709,259	678,847	112.7	-45,863	80,619	6.0%	2.5%
2014	622,592	76,621	545,972	20.2%	15.0%	1,851,783	1,350,464	1,114,450	818,676	737,333	110.8	-44,132	100,903	6.3%	2.5%
2015	564,060	72,182	491,878	-9.4%	-10.1%	1,946,158	1,451,305	1,144,461	801,335	801,698	111.1	-50,555	97,502	6.8%	2.8%
2016	654,715	101,881	552,835	16.1%	16.1%	2,128,211	1,542,933	1,273,229	827,324	854,982	105.4	-27,856	90,305	6.4%	2.6%
2017	749,330	111,184	638,146	14.5%	12.6%	2,263,997	1,646,678	1,320,973	863,940	943,024	99.5	2,815	97,525	7.5%	3.1%
2018	771,902	123,926	647,976	3.0%	0.8%	2,402,493	1,754,528	1,389,075	875,442	1,013,417	103.9	-23,743	121,554	7.1%	3.0%
2019	832,846	133,476	699,370	7.9%	5.7%	2,558,216	1,970,450	1,410,744	941,175	1,147,473	109.6	-56,535	116,042	6.5%	2.9%
2020	841,870	125,503	716,367	1.1%	0.4%	2,578,152	2,032,209	1,392,377	964,422	1,185,774	102.2	-14,426	159,278	10.0%	4.6%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.9%	0.2%	1.7%	82,526	7,261	75,265	8.8%	1,247,573	923,632	323,941	3.3	27.8	0.9
2011	1.9%	0.2%	1.7%	86,593	9,158	77,435	10.6%	1,359,999	989,113	370,886	3.4	23.3	1.0
2012	2.0%	0.2%	1.7%	99,436	11,848	87,588	11.9%	1,483,401	1,088,137	395,263	3.2	19.6	1.0
2013	2.0%	0.3%	1.8%	109,230	14,682	94,548	13.4%	1,499,775	1,079,216	420,559	2.9	15.5	0.9
2014	2.2%	0.3%	1.9%	129,831	15,978	113,853	12.3%	1,609,460	1,210,393	399,067	2.6	15.8	0.7
2015	1.9%	0.2%	1.6%	116,354	14,890	101,464	12.8%	1,863,769	1,324,052	539,718	3.3	18.3	1.1
2016	2.0%	0.3%	1.7%	133,633	20,795	112,839	15.6%	1,833,869	1,288,359	545,510	2.8	12.6	1.0
2017	2.2%	0.3%	1.9%	151,381	22,462	128,919	14.8%	1,872,584	1,349,648	522,936	2.5	12.1	0.8
2018	2.1%	0.3%	1.8%	154,398	24,788	129,610	16.1%	1,993,337	1,416,411	576,926	2.6	11.4	0.9
2019	2.2%	0.4%	1.9%	165,000	26,444	138,556	16.0%	2,053,396	1,431,540	621,857	2.5	10.7	0.9
2020	2.3%	0.3%	2.0%	165,263	24,637	140,626	14.9%	1,985,202	1,338,113	647,090	2.4	10.7	0.9

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.7. Panama: Main Insurance Market Figures and Indicators
(millions of balboas)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	919	233	686	8.5%	4.8%	1,390	1,099	921	655	468	95.5	24	51	11.8%	4.0%
2011	1,053	234	819	14.6%	8.2%	1,588	1,157	984	673	604	94.9	31	56	10.4%	4.0%
2012	1,139	255	884	8.2%	2.3%	1,899	1,374	1,143	689	756	96.5	21	79	12.1%	4.8%
2013	1,244	280	965	9.3%	5.1%	2,389	1,549	1,483	982	906	98.5	11	68	8.0%	3.0%
2014	1,343	312	1,032	7.9%	5.2%	2,602	1,679	1,513	1,080	1,089	97.6	18	75	7.5%	3.1%
2015	1,389	323	1,066	3.4%	3.3%	2,729	1,747	1,627	1,129	1,102	94.6	44	64	7.9%	3.2%
2016	1,396	346	1,050	0.5%	-0.2%	2,888	1,869	1,715	1,209	1,173	92.5	66	75	10.3%	4.2%
2017	1,471	378	1,093	5.4%	4.5%	3,172	2,068	1,855	1,356	1,317	91.2	84	102	13.0%	5.4%
2018	1,570	392	1,178	6.7%	5.9%	3,195	1,858	2,024	1,435	1,171	89.9	99	65	12.0%	4.4%
2019	1,568	406	1,162	-0.1%	0.2%	3,335	n/a	2,042	n/a	1,293	90.1	102	104	15.2%	5.9%
2020	1,517	398	1,119	-3.2%	-1.7%	3,530	n/a	2,089	n/a	1,441	89.2	110	96	13.0%	5.3%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	3.1%	0.8%	2.3%	252	64	188	25.3%	1,498	1,190	307	1.6	5.1	0.4
2011	3.0%	0.7%	2.4%	284	63	221	22.2%	1,772	1,421	352	1.7	6.1	0.4
2012	2.8%	0.6%	2.2%	302	68	234	22.4%	2,180	1,692	488	1.9	6.6	0.6
2013	2.7%	0.6%	2.1%	324	73	252	22.5%	2,369	1,778	591	1.9	6.4	0.6
2014	2.7%	0.6%	2.1%	344	80	264	23.2%	2,636	1,983	653	2.0	6.4	0.6
2015	2.6%	0.6%	2.0%	350	81	269	23.3%	2,964	2,180	784	2.1	6.7	0.7
2016	2.4%	0.6%	1.8%	346	86	260	24.8%	3,099	2,165	934	2.2	6.3	0.9
2017	2.4%	0.6%	1.8%	358	92	266	25.7%	3,278	2,268	1,009	2.2	6.0	0.9
2018	2.4%	0.6%	1.8%	376	94	282	25.0%	3,422	2,389	1,034	2.2	6.1	0.9
2019	2.3%	0.6%	1.7%	369	96	274	25.9%	3,564	2,377	1,188	2.3	5.9	1.0
2020	2.9%	0.8%	2.1%	352	92	259	26.3%	2,646	1,757	889	1.7	4.4	0.8

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.8. Dominican Republic: Main Insurance Market Figures and Indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	24,797	3,506	21,291	6.9%	0.5%	28,273	14,318	19,094	10,973	9,179	97.3	353	894	16.5%	5.4%
2011	26,828	3,957	22,871	8.2%	-0.2%	31,425	16,808	21,573	12,091	9,852	98.7	178	1,181	18.0%	5.7%
2012	29,201	4,464	24,737	8.8%	5.0%	34,550	18,243	24,130	13,570	10,421	100.9	-137	1,441	16.6%	5.0%
2013	30,893	5,002	25,891	5.8%	0.9%	37,514	20,800	26,261	14,639	11,253	102.0	-296	1,404	15.6%	4.7%
2014	33,207	5,326	27,881	7.5%	4.4%	42,397	21,532	29,980	15,533	12,417	99.7	54	1,626	16.4%	4.8%
2015	35,628	6,314	29,315	7.3%	6.4%	46,790	23,991	33,261	16,652	13,529	98.1	358	1,846	19.7%	5.7%
2016	40,589	7,453	33,136	13.9%	12.1%	52,191	26,620	37,257	19,747	14,935	99.6	92	2,074	18.1%	5.2%
2017	49,354	8,480	40,875	21.6%	17.7%	58,605	29,683	42,151	23,215	16,454	99.3	202	2,236	20.0%	5.6%
2018	59,562	9,513	50,048	20.7%	16.5%	71,962	37,800	51,527	26,827	20,436	95.5	1,622	2,424	24.7%	7.0%
2019	69,230	10,766	58,464	16.2%	14.2%	77,946	41,899	53,867	30,362	24,079	93.0	2,200	2,484	26.4%	8.2%
2020	72,241	10,625	61,616	4.3%	0.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.3%	0.2%	1.1%	2,558	362	2,196	14.1%	137,981	92,325	45,656	5.6	26.3	2.1
2011	1.2%	0.2%	1.0%	2,734	403	2,331	14.7%	153,188	101,480	51,708	5.7	25.6	2.3
2012	1.2%	0.2%	1.0%	2,940	450	2,491	15.3%	166,636	110,421	56,215	5.7	24.7	2.3
2013	1.2%	0.2%	1.0%	3,074	498	2,577	16.2%	176,705	113,197	63,508	5.7	22.6	2.5
2014	1.1%	0.2%	1.0%	3,267	524	2,743	16.0%	200,005	129,145	70,859	6.0	24.2	2.5
2015	1.1%	0.2%	0.9%	3,465	614	2,851	17.7%	222,320	142,031	80,289	6.2	22.5	2.7
2016	1.2%	0.2%	1.0%	3,904	717	3,187	18.4%	230,136	143,786	86,349	5.7	19.3	2.6
2017	1.3%	0.2%	1.1%	4,695	807	3,888	17.2%	240,954	153,269	87,685	4.9	18.1	2.1
2018	1.4%	0.2%	1.2%	5,605	895	4,709	16.0%	266,110	171,897	94,213	4.5	18.1	1.9
2019	1.5%	0.2%	1.3%	6,447	1,003	5,444	15.6%	281,366	179,338	102,028	4.1	16.7	1.7
2020	1.6%	0.2%	1.4%	6,659	979	5,680	14.7%	280,575	172,033	108,542	3.9	16.2	1.8

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.9. Puerto Rico: Main Insurance Market Figures and Indicators
(millions of USD)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	10,428	801	9,626	6.4%	3.8%	7,135	5,752	4,732	3,275	2,403	n/a	n/a	n/a	16.3%	5.5%
2011	11,059	898	10,161	6.1%	3.1%	7,143	5,824	4,691	3,238	2,452	n/a	n/a	n/a	15.0%	5.1%
2012	10,577	980	9,597	-4.4%	-5.6%	7,477	6,136	4,835	3,321	2,643	n/a	n/a	n/a	12.8%	4.5%
2013	10,518	1,053	9,465	-0.6%	-1.6%	7,463	6,091	4,906	3,278	2,557	n/a	n/a	n/a	12.0%	4.1%
2014	9,967	1,237	8,730	-5.2%	-5.8%	7,437	5,841	4,994	3,127	2,443	n/a	n/a	n/a	4.8%	1.6%
2015	12,113	1,252	10,861	21.5%	22.5%	8,106	6,122	5,549	3,452	2,557	n/a	n/a	n/a	4.6%	1.5%
2016	12,869	1,265	11,605	6.2%	6.6%	8,241	6,294	5,749	3,400	2,492	n/a	n/a	n/a	6.8%	2.1%
2017	12,778	1,153	11,625	-0.7%	-2.4%	9,439	7,249	6,819	3,680	2,620	n/a	n/a	n/a	12.9%	3.6%
2018	13,939	1,356	12,583	9.1%	7.7%	9,607	6,819	7,045	4,140	2,562	n/a	n/a	n/a	5.4%	1.4%
2019	14,322	1,451	12,871	2.7%	2.7%	10,227	7,933	7,275	4,338	2,952	n/a	n/a	n/a	12.9%	3.7%
2020	16,077	1,435	14,642	12.3%	13.7%	11,187	8,846	7,961	4,750	3,226	n/a	n/a	n/a	16.3%	4.7%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	10.6%	0.8%	9.8%	2,913	224	2,689	7.7%	3,952	3,952	-	0.4	4.9	-
2011	11.0%	0.9%	10.1%	3,107	252	2,854	8.1%	3,889	3,889	-	0.4	4.3	-
2012	10.4%	1.0%	9.4%	2,991	277	2,714	9.3%	3,910	3,910	-	0.4	4.0	-
2013	10.3%	1.0%	9.2%	3,002	301	2,701	10.0%	3,569	3,569	-	0.3	3.4	-
2014	9.7%	1.2%	8.5%	2,886	358	2,528	12.4%	3,472	3,472	-	0.3	2.8	-
2015	11.7%	1.2%	10.5%	3,582	370	3,212	10.3%	3,532	3,532	-	0.3	2.8	-
2016	12.3%	1.2%	11.1%	3,920	385	3,535	9.8%	3,260	3,260	-	0.3	2.6	-
2017	12.4%	1.1%	11.2%	4,039	364	3,675	9.0%	3,247	3,247	-	0.3	2.8	-
2018	13.8%	1.3%	12.5%	4,586	446	4,140	9.7%	2,969	2,969	-	0.2	2.2	-
2019	13.6%	1.4%	12.3%	4,882	495	4,388	10.1%	2,924	2,924	-	0.2	2.0	-
2020	16.8%	1.5%	15.3%	5,620	502	5,118	8.9%	2,468	2,468	-	0.2	1.7	-

Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.10. Colombia: Main Insurance Market Figures and Indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	11,849,969	3,344,106	8,505,863	3.6%	1.3%	30,723,343	23,910,276	22,887,250	19,540,989	7,836,093	110.4	-889,033	2,131,454	15.4%	3.9%
2011	13,581,554	3,819,524	9,762,029	14.6%	10.8%	34,160,398	26,072,658	26,131,154	22,356,789	8,029,244	109.2	-890,427	1,495,277	7.7%	1.8%
2012	15,964,766	4,764,043	11,200,722	17.5%	13.9%	38,485,408	29,378,048	29,305,428	25,324,006	9,179,981	110.6	-1,216,912	2,405,145	12.1%	2.9%
2013	18,833,416	6,690,847	12,142,569	18.0%	15.6%	42,857,016	33,375,423	33,746,620	29,208,392	9,110,396	108.6	-1,129,101	1,822,198	6.4%	1.4%
2014	19,036,166	5,656,006	13,380,160	1.1%	-1.8%	47,590,990	37,157,033	37,599,677	32,297,179	9,991,312	110.4	-1,523,216	2,747,916	10.9%	2.3%
2015	21,508,936	6,313,957	15,194,979	13.0%	7.6%	51,585,889	38,983,976	41,720,926	35,211,300	9,864,962	110.8	-1,718,318	2,928,678	10.8%	2.1%
2016	23,849,424	7,461,856	16,387,568	10.9%	3.1%	58,252,927	44,323,525	47,104,482	41,262,658	11,148,445	111.8	-2,251,876	4,095,605	14.9%	2.9%
2017	26,003,162	8,436,839	17,566,323	9.0%	4.5%	66,222,514	50,288,473	53,805,647	47,177,339	12,416,867	111.3	-2,104,869	3,926,468	14.5%	2.7%
2018	27,268,333	8,540,789	18,727,544	4.9%	1.6%	76,735,130	55,415,603	63,464,833	56,464,952	13,270,296	108.9	-1,763,815	3,511,196	12.7%	2.2%
2019	30,087,537	9,329,143	20,758,394	10.3%	6.6%	86,054,031	61,916,603	70,667,652	62,744,057	15,386,379	111.3	-2,431,053	4,659,640	14.4%	2.6%
2020	30,489,756	9,220,345	21,269,412	1.3%	-1.2%	91,494,288	67,407,641	76,093,288	68,165,878	15,401,001	110.9	-2,405,413	4,120,245	9.8%	1.6%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	2.2%	0.6%	1.6%	262,036	73,948	188,088	28.2%	32,805,770	22,945,816	9,859,954	2.8	6.9	1.2
2011	2.2%	0.6%	1.6%	297,432	83,646	213,785	28.1%	36,836,456	25,710,654	11,125,796	2.7	6.7	1.1
2012	2.4%	0.7%	1.7%	346,490	103,396	243,094	29.8%	38,739,998	27,327,715	11,412,279	2.4	5.7	1.0
2013	2.6%	0.9%	1.7%	405,059	143,903	261,156	35.5%	37,753,277	25,527,691	12,225,588	2.0	3.8	1.0
2014	2.5%	0.7%	1.8%	405,303	120,423	284,880	29.7%	41,776,550	29,408,934	12,367,617	2.2	5.2	0.9
2015	2.7%	0.8%	1.9%	452,623	132,868	319,755	29.4%	43,241,752	30,923,861	12,317,887	2.0	4.9	0.8
2016	2.8%	0.9%	1.9%	495,058	154,890	340,167	31.3%	43,207,517	29,999,281	13,208,236	1.8	4.0	0.8
2017	2.8%	0.9%	1.9%	531,655	172,498	359,157	32.4%	44,268,730	30,716,027	13,552,703	1.7	3.6	0.8
2018	2.8%	0.9%	1.9%	549,089	171,982	377,107	31.3%	48,677,548	33,763,783	14,913,768	1.8	4.0	0.8
2019	2.8%	0.9%	2.0%	597,693	185,325	412,368	31.0%	51,456,613	34,886,776	16,569,836	1.7	3.7	0.8
2020	3.0%	0.9%	2.1%	599,214	181,207	418,007	30.2%	48,365,101	31,603,931	16,761,171	1.6	3.4	0.8

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.11. Venezuela: Main Insurance Market Figures and Indicators
(billions of sovereign bolivars)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	0.000369	0.000009	0.000360	34.0%	4.6%	0.000331	0.000258	0.000210	0.000144	0.000121	88.3	0.000006	0.000013	19.8%	7.2%
2011	0.000465	0.000009	0.000456	25.9%	-0.2%	0.000426	0.000338	0.000278	0.000186	0.000147	86.2	0.000010	0.000019	16.4%	5.7%
2012	0.000597	0.000011	0.000586	28.4%	6.1%	0.000520	0.000411	0.000338	0.000231	0.000182	88.0	0.000011	0.000031	20.4%	7.1%
2013	0.000856	0.000016	0.000841	43.4%	2.0%	0.000801	0.000649	0.000480	0.000331	0.000321	85.6	0.000004	0.000038	15.7%	6.3%
2014	0.001424	0.000023	0.001401	66.3%	2.6%	0.001575	0.001312	0.000818	0.000572	0.000756	80.2	-0.000010	0.000055	9.0%	4.3%
2015	0.003300	0.000041	0.003259	131.7%	4.5%	0.005839	0.004784	0.002119	0.001326	0.003720	76.1	-0.000103	0.000210	2.5%	1.6%
2016	0.008715	0.000101	0.008614	164.1%	-25.6%	0.017972	0.014608	0.006304	0.003036	0.011668	80.8	-0.000396	0.000216	3.3%	2.1%
2017	0.038201	0.000384	0.037817	338.3%	-18.5%	0.201182	0.184028	0.029109	0.014156	0.172073	72.6	0.008187	0.000936	1.4%	1.2%
2018	26.054241	0.436408	25.617833	68102.8%	4.2%	609.707360	453.830911	316.953889	10.738492	292.753471	123.5	-3.180139	2.808183	7.6%	3.6%
2019	5,766.348	35.516	5,730.833	22032.1%	10.6%	52,066.878	38,676.288	27,042.054	1,523.766	25,024.825	120.4	-466.945	141.818	6.3%	3.0%
2020	138,849.775	686.237	138,163.538	2307.9%	-1.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	3.1%	0.1%	3.0%	0.000013	0.000000	0.000013	2.4%	0.000511	0.000476	0.000035	1.4	54.2	0.1
2011	2.9%	0.1%	2.8%	0.000016	0.000000	0.000016	2.0%	0.000736	0.000660	0.000076	1.6	72.2	0.2
2012	3.1%	0.1%	3.0%	0.000020	0.000000	0.000020	1.9%	0.000818	0.000761	0.000057	1.4	67.3	0.1
2013	3.3%	0.1%	3.2%	0.000029	0.000001	0.000028	1.8%	0.001023	0.000979	0.000043	1.2	62.5	0.1
2014	0.4%	0.0%	0.4%	0.000047	0.000001	0.000047	1.6%	0.002273	0.001377	0.000896	1.6	60.4	0.6
2015	0.5%	0.0%	0.5%	0.000110	0.000001	0.000108	1.2%	0.006022	0.003697	0.002325	1.8	91.2	0.7
2016	0.7%	0.0%	0.7%	0.000292	0.000003	0.000289	1.2%	0.019774	0.012163	0.007611	2.3	120.7	0.9
2017	0.7%	0.0%	0.7%	0.001299	0.000013	0.001286	1.0%	0.139048	0.085310	0.053738	3.6	221.9	1.4
2018	0.4%	0.0%	0.4%	0.901933	0.015107	0.886826	1.7%	77.294549	45.212049	32.082503	3.0	103.6	1.3
2019	0.6%	0.0%	0.6%	202.215703	1.245468	200.970235	0.6%	9,773.640797	5,723.884765	4049.756032	1.7	161.2	0.7
2020	0.8%	0.0%	0.8%	4,882.896792	24.132730	4,858.764062	0.5%	167,090.949761	96,116.877867	70,974.071894	1.2	140.1	0.5

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.12. Brazil: Main Insurance Market Figures and Indicators
(millions of reais)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	90,089	49,616	40,473	17.6%	12.0%	345,903	300,020	283,074	262,680	62,829	94.7	2,413	6,366	18.1%	3.3%
2011	105,001	58,511	46,490	16.6%	9.3%	409,926	354,677	344,088	317,909	65,838	97.3	1,465	13,278	19.1%	3.1%
2012	129,401	77,147	52,255	23.2%	16.9%	499,599	433,224	424,253	391,713	75,346	96.3	2,210	14,177	18.0%	2.7%
2013	145,184	83,357	61,828	12.2%	5.6%	547,428	470,528	475,329	443,146	72,098	92.8	4,985	11,888	21.8%	2.9%
2014	165,235	94,153	71,082	13.8%	7.0%	637,696	549,907	562,118	520,982	75,579	95.2	3,630	16,682	23.4%	2.8%
2015	184,201	111,024	73,177	11.5%	2.2%	740,603	643,058	668,983	626,924	71,620	95.2	3,941	19,422	27.7%	2.7%
2016	205,480	130,722	74,757	11.6%	2.6%	873,463	776,339	792,216	755,915	81,247	95.3	4,074	18,932	22.0%	2.0%
2017	212,155	135,709	76,446	3.2%	-0.2%	1,004,977	901,751	917,710	876,797	87,248	93.7	5,574	16,611	19.8%	1.7%
2018	210,319	129,975	80,344	-0.9%	-4.4%	1,095,005	985,310	1,010,482	965,974	84,523	91.8	7,744	15,989	22.3%	1.7%
2019	234,218	152,049	82,169	11.4%	7.4%	1,233,605	1,113,310	1,139,153	1,087,039	94,453	91.6	8,111	19,488	24.6%	1.9%
2020	236,860	152,617	84,243	1.1%	-2.0%	1,326,740	1,187,390	1,223,484	1,169,093	103,331	92.6	7,365	14,343	17.4%	1.4%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	2.3%	1.3%	1.0%	460	254	207	55.1%	228,857	138,155	90,702	2.5	2.8	2.2
2011	2.4%	1.3%	1.1%	532	296	235	55.7%	251,446	150,263	101,183	2.4	2.6	2.2
2012	2.7%	1.6%	1.1%	649	387	262	59.6%	265,778	154,680	111,099	2.1	2.0	2.1
2013	2.7%	1.6%	1.2%	722	415	308	57.4%	277,308	157,196	120,112	1.9	1.9	1.9
2014	2.9%	1.6%	1.2%	815	464	351	57.0%	295,418	171,463	123,956	1.8	1.8	1.7
2015	3.1%	1.9%	1.2%	901	543	358	60.3%	298,259	166,437	131,822	1.6	1.5	1.8
2016	3.3%	2.1%	1.2%	997	634	363	63.6%	281,219	141,170	140,049	1.4	1.1	1.9
2017	3.2%	2.1%	1.2%	1,021	653	368	64.0%	290,603	144,409	146,194	1.4	1.1	1.9
2018	3.0%	1.9%	1.1%	1,004	620	384	61.8%	328,192	169,994	158,197	1.6	1.3	2.0
2019	3.2%	2.1%	1.1%	1,110	720	389	64.9%	334,992	156,595	178,397	1.4	1.0	2.2
2020	3.2%	2.0%	1.1%	1,114	718	396	64.4%	348,925	150,652	198,273	1.5	1.0	2.4

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.13. Ecuador: Main Insurance Market Figures and Indicators
(millions of USD)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	1,108	181	926	17.5%	13.5%	849	480	548	162	301	76.7	96	18	16.7%	5.9%
2011	1,337	231	1,105	20.7%	15.5%	1,045	583	697	199	348	74.0	130	21	19.1%	6.4%
2012	1,485	255	1,230	11.1%	5.7%	1,356	674	970	384	385	75.8	147	31	11.9%	3.4%
2013	1,659	282	1,377	11.7%	8.8%	1,645	761	1,223	546	422	76.6	164	33	9.3%	2.4%
2014	1,703	276	1,427	2.6%	-0.9%	1,853	847	1,372	607	482	70.5	214	37	14.6%	3.8%
2015	1,665	295	1,370	-2.2%	-6.0%	2,017	919	1,448	663	569	76.5	208	41	8.9%	2.5%
2016	1,618	347	1,271	-2.8%	-4.5%	2,321	952	1,704	895	617	74.9	250	40	10.3%	2.7%
2017	1,631	370	1,261	0.8%	0.4%	2,247	1,059	1,647	831	600	74.8	254	44	11.7%	3.1%
2018	1,689	413	1,276	3.6%	3.8%	2,158	1,043	1,541	840	617	75.9	265	39	8.3%	2.4%
2019	1,797	434	1,364	6.4%	6.1%	2,156	1,093	1,509	799	647	74.0	290	56	9.5%	2.8%
2020	1,696	418	1,278	-5.6%	-5.3%	2,275	1,090	1,613	819	662	80.0	207	48	0.9%	0.3%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.6%	0.3%	1.3%	74	12	62	16.4%	4,601	3,180	1,422	4.2	17.5	1.5
2011	1.7%	0.3%	1.4%	88	15	73	17.3%	5,120	3,551	1,570	3.8	15.4	1.4
2012	1.7%	0.3%	1.4%	96	16	79	17.2%	5,732	3,979	1,753	3.9	15.6	1.4
2013	1.7%	0.3%	1.4%	106	18	88	17.0%	5,879	4,010	1,869	3.5	14.2	1.4
2014	1.7%	0.3%	1.4%	107	17	89	16.2%	6,406	4,400	2,006	3.8	16.0	1.4
2015	1.7%	0.3%	1.4%	103	18	85	17.7%	6,325	4,300	2,025	3.8	14.6	1.5
2016	1.6%	0.3%	1.3%	98	21	77	21.4%	6,140	3,987	2,153	3.8	11.5	1.7
2017	1.6%	0.4%	1.2%	97	22	75	22.7%	6,331	4,066	2,265	3.9	11.0	1.8
2018	1.6%	0.4%	1.2%	99	24	75	24.4%	6,581	4,194	2,387	3.9	10.2	1.9
2019	1.7%	0.4%	1.3%	103	25	79	24.1%	6,510	4,071	2,439	3.6	9.4	1.8
2020	1.8%	0.4%	1.3%	96	24	72	24.6%	5,907	3,518	2,389	3.5	8.4	1.9

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities, and Insurance)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.14. Peru: Main Insurance Market Figures and Indicators
(millions of soles)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	6,552	2,889	3,663	26.2%	24.3%	17,359	15,259	13,598	11,852	3,761	111.7	-393	1,107	15.9%	3.4%
2011	7,212	3,092	4,120	10.1%	6.5%	19,786	17,371	15,680	13,568	4,106	113.8	-540	1,481	21.9%	4.5%
2012	7,906	3,306	4,600	9.6%	5.8%	22,261	19,397	17,634	15,275	4,627	119.0	-809	1,545	14.8%	3.1%
2013	9,069	3,750	5,320	14.7%	11.6%	28,172	22,282	23,607	20,482	4,564	117.1	-867	1,591	15.1%	2.4%
2014	10,154	4,450	5,704	12.0%	8.4%	33,303	26,271	27,770	24,073	5,534	115.9	-861	1,840	16.4%	2.7%
2015	11,744	5,118	6,626	15.7%	11.7%	39,373	31,116	33,437	28,771	5,936	113.4	-843	2,001	17.4%	2.6%
2016	11,256	4,592	6,664	-4.2%	-7.5%	42,187	33,725	35,056	30,676	7,131	116.4	-1,082	2,214	14.4%	2.4%
2017	11,327	4,811	6,517	0.6%	-2.1%	45,169	35,146	38,084	33,247	7,084	120.6	-1,291	2,200	11.8%	1.9%
2018	12,869	5,682	7,186	13.6%	12.1%	48,867	36,955	41,665	36,300	7,202	116.3	-1,276	2,338	14.6%	2.2%
2019	14,114	6,347	7,766	9.7%	7.4%	53,682	41,536	44,968	39,735	8,714	116.7	-1,395	2,981	17.4%	2.8%
2020	14,021	6,091	7,931	-0.7%	-2.4%	60,100	47,165	50,828	44,308	9,272	119.2	-1,644	2,829	11.7%	1.8%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.6%	0.7%	0.9%	226	100	126	44.1%	27,981	17,442	10,540	4.3	6.0	2.9
2011	1.5%	0.7%	0.9%	246	106	141	42.9%	31,144	19,373	11,770	4.3	6.3	2.9
2012	1.6%	0.6%	0.9%	268	112	156	41.8%	33,848	21,189	12,659	4.3	6.4	2.8
2013	1.7%	0.7%	1.0%	305	126	179	41.3%	34,207	20,890	13,317	3.8	5.6	2.5
2014	1.8%	0.8%	1.0%	337	148	190	43.8%	35,625	21,946	13,679	3.5	4.9	2.4
2015	1.9%	0.8%	1.1%	385	168	217	43.6%	37,289	23,081	14,208	3.2	4.5	2.1
2016	1.7%	0.7%	1.0%	364	148	215	40.8%	39,831	23,947	15,883	3.5	5.2	2.4
2017	1.6%	0.7%	0.9%	360	153	207	42.5%	41,963	24,881	17,082	3.7	5.2	2.6
2018	1.7%	0.8%	1.0%	402	178	225	44.2%	44,031	26,013	18,018	3.4	4.6	2.5
2019	1.8%	0.8%	1.0%	434	195	239	45.0%	45,058	25,738	19,320	3.2	4.1	2.5
2020	2.0%	0.9%	1.1%	425	185	241	43.4%	42,001	22,913	19,088	3.0	3.8	2.4

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance, and Pension Fund Administrators)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.15. Bolivia: Main Insurance Market Figures and Indicators
(millions of bolivianos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	1,595	341	1,254	11.7%	9.0%	4,902	4,052	3,788	3,167	1,056	98.1	20	220	12.4%	2.7%
2011	1,841	400	1,441	15.4%	5.0%	5,176	4,251	4,097	3,395	1,078	103.4	-41	193	10.5%	2.2%
2012	2,194	473	1,721	19.1%	14.0%	5,346	4,445	4,167	3,206	1,179	102.3	-33	180	11.1%	2.4%
2013	2,569	617	1,952	17.1%	10.8%	5,624	4,543	4,294	3,165	1,326	92.9	130	133	14.2%	3.4%
2014	2,883	705	2,178	12.2%	6.1%	5,957	4,635	4,485	3,121	1,472	95.4	87	179	13.2%	3.2%
2015	3,103	822	2,281	7.6%	3.4%	6,600	4,895	4,893	3,179	1,707	96.8	64	237	13.8%	3.6%
2016	3,228	915	2,313	4.0%	0.4%	6,953	5,183	5,164	3,214	1,789	100.5	-11	290	13.2%	3.4%
2017	3,340	1,020	2,320	3.5%	0.6%	6,978	5,302	5,101	3,280	1,877	101.3	-28	265	11.3%	3.1%
2018	3,698	1,246	2,452	10.7%	8.3%	7,347	5,431	5,207	3,304	2,141	99.4	15	224	11.5%	3.4%
2019	3,985	1,420	2,565	7.8%	5.8%	7,737	5,725	5,406	3,387	2,330	99.1	25	280	12.2%	3.7%
2020	4,093	1,545	2,549	2.7%	1.8%	8,279	5,750	5,950	3,667	2,329	102.2	-63	372	9.3%	2.6%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.2%	0.2%	0.9%	159	34	125	21.4%	9,721	6,321	3,400	6.1	18.5	2.7
2011	1.1%	0.2%	0.9%	180	39	141	21.7%	11,698	7,530	4,168	6.4	18.8	2.9
2012	1.2%	0.3%	0.9%	211	46	166	21.6%	13,167	8,539	4,629	6.0	18.1	2.7
2013	1.2%	0.3%	0.9%	244	59	185	24.0%	14,219	8,941	5,278	5.5	14.5	2.7
2014	1.3%	0.3%	1.0%	269	66	203	24.4%	15,292	9,775	5,517	5.3	13.9	2.5
2015	1.4%	0.4%	1.0%	285	76	210	26.5%	15,246	9,730	5,516	4.9	11.8	2.4
2016	1.4%	0.4%	1.0%	293	83	210	28.3%	14,979	9,257	5,722	4.6	10.1	2.5
2017	1.3%	0.4%	0.9%	298	91	207	30.5%	16,447	10,004	6,443	4.9	9.8	2.8
2018	1.3%	0.4%	0.9%	326	110	216	33.7%	17,705	10,677	7,029	4.8	8.6	2.9
2019	1.4%	0.5%	0.9%	346	123	223	35.6%	17,731	10,355	7,376	4.4	7.3	2.9
2020	1.5%	0.6%	0.9%	351	132	218	37.7%	17,155	9,456	7,699	4.2	6.1	3.0

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.16. Chile: Main Insurance Market Figures and Indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	4,228,291	2,558,164	1,670,127	21.1%	19.4%	21,417,926	23,766,697	18,665,080	17,813,497	2,752,846	119.0	-609,520	1,269,471	17.0%	2.2%
2011	5,027,445	2,996,333	2,031,111	18.9%	15.1%	23,278,241	25,082,990	20,493,396	19,451,724	2,784,845	111.7	-409,867	697,379	6.4%	0.8%
2012	5,471,147	3,268,621	2,202,526	8.8%	5.7%	26,865,447	26,737,945	23,715,846	22,259,531	3,149,601	118.0	-771,039	1,225,596	13.1%	1.5%
2013	5,799,279	3,460,278	2,339,001	6.0%	4.1%	28,983,911	28,463,050	25,762,739	24,171,607	3,221,172	120.2	-926,618	1,190,212	9.1%	1.0%
2014	6,223,280	3,648,398	2,574,881	7.3%	2.5%	32,735,709	30,259,750	29,381,835	27,347,299	3,353,874	129.4	-1,380,138	1,495,595	10.1%	1.0%
2015	7,408,342	4,539,451	2,868,891	19.0%	14.1%	37,046,460	32,821,107	33,332,714	30,994,962	3,713,746	120.0	-1,149,424	1,399,500	11.6%	1.2%
2016	8,301,283	5,260,639	3,040,644	12.1%	8.0%	40,583,576	36,493,884	36,532,471	34,358,555	4,051,105	119.0	-1,240,876	1,870,502	12.1%	1.2%
2017	8,268,352	5,081,617	3,186,734	-0.4%	-2.5%	43,853,552	39,657,529	39,521,405	37,292,101	4,332,147	122.8	-1,450,732	2,247,955	14.4%	1.4%
2018	8,897,609	5,407,209	3,490,400	7.6%	5.2%	47,798,519	42,967,393	43,233,678	40,491,470	4,564,841	116.7	-1,232,450	1,662,286	11.3%	1.1%
2019	8,973,076	5,235,631	3,737,445	0.8%	-1.4%	53,157,557	46,909,890	48,021,269	44,812,087	5,136,288	126.3	-1,885,111	2,250,439	7.4%	0.7%
2020	7,835,530	3,893,325	3,942,205	-12.7%	-15.3%	54,530,120	49,724,054	49,012,111	45,863,439	5,518,009	118.3	-1,526,142	2,927,506	12.8%	1.3%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	3.8%	2.3%	1.5%	247,811	149,929	97,883	60.5%	4,915,105	2,824,776	2,090,329	1.2	1.1	1.3
2011	4.1%	2.5%	1.7%	291,724	173,866	117,858	59.6%	4,903,581	2,820,337	2,083,243	1.0	0.9	1.0
2012	4.2%	2.5%	1.7%	314,427	187,848	126,579	59.7%	5,190,914	2,986,123	2,204,790	0.9	0.9	1.0
2013	4.2%	2.5%	1.7%	330,039	196,925	133,113	59.7%	5,125,757	2,760,066	2,365,691	0.9	0.8	1.0
2014	4.2%	2.5%	1.7%	350,430	205,440	144,990	58.6%	5,619,275	3,180,083	2,439,192	0.9	0.9	0.9
2015	4.6%	2.8%	1.8%	412,276	252,622	159,655	61.3%	5,427,758	2,842,530	2,585,227	0.7	0.6	0.9
2016	4.9%	3.1%	1.8%	455,887	288,902	166,985	63.4%	4,853,827	2,088,420	2,765,408	0.6	0.4	0.9
2017	4.6%	2.8%	1.8%	447,653	275,122	172,532	61.5%	5,448,080	2,560,665	2,887,416	0.7	0.5	0.9
2018	4.7%	2.8%	1.8%	475,067	288,705	186,362	60.8%	5,765,968	2,760,928	3,005,041	0.6	0.5	0.9
2019	4.6%	2.7%	1.9%	473,462	276,257	197,205	58.3%	6,119,479	2,948,049	3,171,430	0.7	0.6	0.8
2020	3.9%	1.9%	2.0%	409,889	203,666	206,223	49.7%	7,912,395	4,259,599	3,652,796	1.0	1.1	0.9

Source: MAPFRE Economics (based on data from the Commission for the Financial Market)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.17. Paraguay: Main Insurance Market Figures and Indicators
(millions of guaranies)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	1,001,832	102,823	899,009	20.1%	14.8%	1,321,113	389,444	890,240	594,659	430,874	n/a	n/a	n/a	16.5%	5.4%
2011	1,212,157	132,555	1,079,602	21.0%	11.8%	1,634,863	526,164	1,088,238	739,285	546,625	91.4	80,701	36,172	20.0%	6.7%
2012	1,434,355	177,160	1,257,195	18.3%	14.1%	1,944,590	641,682	1,279,459	860,589	665,132	90.3	109,222	48,618	22.2%	7.6%
2013	1,634,685	193,270	1,441,415	14.0%	11.0%	2,266,305	763,105	1,474,367	978,520	791,938	92.0	103,509	80,826	21.9%	7.7%
2014	1,862,298	236,639	1,625,659	13.9%	8.5%	2,502,884	884,133	1,579,631	1,071,207	923,253	93.1	100,904	89,640	20.1%	7.4%
2015	2,056,627	279,820	1,776,807	10.4%	7.1%	2,856,288	1,038,009	1,811,512	1,201,741	1,044,776	95.4	75,641	140,355	19.7%	7.2%
2016	2,168,768	301,748	1,867,020	5.5%	1.3%	3,078,466	1,130,586	1,912,605	1,269,155	1,165,861	95.6	74,631	84,295	13.7%	5.2%
2017	2,338,258	331,425	2,006,833	7.8%	4.1%	3,386,526	1,290,608	2,116,130	1,394,368	1,270,395	97.3	49,135	91,367	13.4%	5.0%
2018	2,527,763	354,421	2,173,343	8.1%	4.0%	3,756,992	1,487,066	2,330,833	1,506,866	1,426,159	93.7	121,197	135,213	17.3%	6.6%
2019	2,657,159	359,584	2,297,575	5.1%	2.3%	4,120,265	1,665,168	2,542,861	1,661,780	1,577,403	93.1	135,864	148,626	17.0%	6.5%
2020	2,791,067	431,545	2,359,522	5.0%	3.2%	4,401,562	1,835,239	2,617,467	1,673,925	1,784,096	88.6	231,092	156,331	20.7%	8.4%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	0.8%	0.1%	0.7%	160,344	16,457	143,887	10.3%	9,585,459	6,130,173	3,455,286	9.6	59.6	3.8
2011	0.9%	0.1%	0.8%	191,374	20,928	170,446	10.9%	10,297,711	6,608,855	3,688,855	8.5	49.9	3.4
2012	1.0%	0.1%	0.9%	223,367	27,589	195,779	12.4%	10,653,532	6,914,024	3,739,507	7.4	39.0	3.0
2013	1.0%	0.1%	0.9%	251,093	29,687	221,406	11.8%	11,576,237	7,328,580	4,247,658	7.1	37.9	2.9
2014	1.0%	0.1%	0.9%	282,187	35,857	246,330	12.7%	12,463,735	8,023,829	4,439,907	6.7	33.9	2.7
2015	1.1%	0.1%	0.9%	307,476	41,834	265,641	13.6%	13,089,645	8,430,730	4,658,913	6.4	30.1	2.6
2016	1.1%	0.1%	0.9%	319,977	44,519	275,458	13.9%	13,702,822	8,564,863	5,137,959	6.3	28.4	2.8
2017	1.1%	0.2%	0.9%	340,504	48,263	292,241	14.2%	14,395,351	8,991,915	5,403,436	6.2	27.1	2.7
2018	1.1%	0.2%	0.9%	363,390	50,951	312,438	14.0%	15,270,189	9,559,676	5,710,514	6.0	27.0	2.6
2019	1.1%	0.2%	1.0%	377,189	51,044	326,145	13.5%	15,636,664	9,559,928	6,076,736	5.9	26.6	2.6
2020	1.1%	0.2%	1.0%	391,315	60,504	330,811	15.5%	16,314,412	9,459,632	6,854,780	5.8	21.9	2.9

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.18. Argentina: Main Insurance Market Figures and Indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	38,784	6,218	32,566	33.3%	20.7%	67,612	52,114	54,630	42,329	12,982	110.7	-3,290	4,758	18.9%	3.6%
2011	52,213	8,704	43,509	34.6%	22.6%	82,077	61,866	66,480	55,231	15,597	107.4	-3,139	6,259	22.8%	4.3%
2012	69,062	11,625	57,437	32.3%	20.2%	105,071	78,310	84,977	69,572	20,094	113.5	-7,662	10,685	23.3%	4.5%
2013	93,389	15,262	78,127	35.2%	22.2%	139,358	103,916	112,499	92,121	26,858	116.2	-12,274	16,772	23.6%	4.5%
2014	129,421	21,032	108,389	38.6%	-2.4%	188,896	142,120	151,932	123,804	36,964	116.2	-16,835	24,876	28.6%	5.6%
2015	180,672	28,285	152,387	39.6%	10.4%	271,656	208,840	216,415	175,855	55,241	114.0	-20,591	37,335	32.5%	6.6%
2016	243,602	37,979	205,622	34.8%	-3.0%	379,860	292,721	298,885	245,173	80,975	118.1	-35,988	52,057	24.1%	5.1%
2017	302,312	42,577	259,734	24.1%	-1.3%	502,009	390,929	390,617	321,404	111,392	112.6	-44,365	75,805	24.7%	5.5%
2018	391,594	52,749	338,845	29.5%	-3.5%	728,417	562,540	564,612	458,667	163,805	126.0	-102,864	138,220	28.6%	6.4%
2019	533,673	68,113	465,559	36.3%	-11.2%	1,086,274	845,321	816,182	638,970	270,092	133.4	-177,023	227,173	27.8%	6.9%
2020	836,533	105,376	731,157	56.8%	10.4%	1,695,609	1,335,880	1,213,381	930,767	482,228	90.8	94,263	-25,316	7.8%	2.2%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	2.3%	0.4%	2.0%	948	152	796	16.0%	97,607	74,079	23,528	2.5	11.9	0.7
2011	2.4%	0.4%	2.0%	1,264	211	1,053	16.7%	125,264	95,245	30,019	2.4	10.9	0.7
2012	2.6%	0.4%	2.2%	1,654	278	1,376	16.8%	147,449	115,388	32,061	2.1	9.9	0.6
2013	2.8%	0.5%	2.3%	2,213	362	1,852	16.3%	171,940	135,807	36,133	1.8	8.9	0.5
2014	2.8%	0.5%	2.4%	3,035	493	2,542	16.3%	235,589	189,435	46,154	1.8	9.0	0.4
2015	3.0%	0.5%	2.6%	4,194	657	3,538	15.7%	298,467	247,266	51,201	1.7	8.7	0.3
2016	3.0%	0.5%	2.5%	5,599	873	4,726	15.6%	395,164	318,865	76,299	1.6	8.4	0.4
2017	2.8%	0.4%	2.4%	6,881	969	5,911	14.1%	511,527	410,863	100,664	1.7	9.6	0.4
2018	2.7%	0.4%	2.3%	8,827	1,189	7,638	13.5%	726,517	570,079	156,438	1.9	10.8	0.5
2019	2.5%	0.3%	2.2%	11,917	1,521	10,396	12.8%	1,114,491	825,575	288,916	2.1	12.1	0.6
2020	3.1%	0.4%	2.7%	18,509	2,332	16,178	12.6%	1,320,557	1,011,380	309,177	1.6	9.6	0.4

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)
[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.19. Uruguay: Main Insurance Market Figures and Indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Provisions	Net equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2010	14,581	3,472	11,109	14.9%	7.7%	35,109	28,237	27,334	23,547	7,775	106.0	-743	2,801	17.3%	3.8%
2011	17,637	4,261	13,377	21.0%	11.9%	40,986	33,942	32,806	29,069	8,180	101.3	-192	1,455	5.5%	1.1%
2012	21,564	5,684	15,880	22.3%	13.1%	50,863	42,461	41,286	36,799	9,576	105.1	-963	2,343	7.8%	1.5%
2013	24,749	7,100	17,648	14.8%	5.7%	62,405	52,154	51,851	46,470	10,554	106.8	-1,470	2,595	10.3%	1.7%
2014	30,285	8,937	21,347	22.4%	12.4%	77,793	65,068	65,535	58,548	12,259	101.9	-487	2,699	8.2%	1.3%
2015	34,910	11,672	23,238	15.3%	6.1%	96,715	83,041	82,363	74,257	14,352	104.6	-1,432	4,249	6.1%	0.9%
2016	38,531	14,707	23,824	10.4%	0.7%	115,866	99,900	100,114	90,779	15,752	105.9	-2,073	4,641	4.8%	0.7%
2017	45,207	19,075	26,132	17.3%	10.5%	140,142	123,081	121,707	113,058	18,435	105.9	-2,426	6,782	11.8%	1.6%
2018	45,787	18,196	27,591	1.3%	-5.9%	162,306	144,805	142,141	133,506	20,165	107.8	-3,269	6,108	2.8%	0.4%
2019	54,800	24,192	30,608	19.7%	10.9%	196,767	177,349	173,346	162,776	23,421	106.4	-3,156	6,898	14.7%	1.7%
2020	61,448	28,099	33,349	12.1%	2.2%	236,945	216,500	209,942	198,164	27,003	109.3	-5,097	10,512	19.1%	2.2%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance protection gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2010	1.7%	0.4%	1.3%	4,340	1,034	3,307	23.8%	57,472	38,947	18,525	3.9	11.2	1.7
2011	1.8%	0.4%	1.3%	5,235	1,265	3,971	24.2%	64,327	43,746	20,581	3.6	10.3	1.5
2012	1.9%	0.5%	1.4%	6,382	1,682	4,700	26.4%	71,274	48,778	22,496	3.3	8.6	1.4
2013	1.9%	0.6%	1.4%	7,302	2,095	5,207	28.7%	76,688	50,654	26,034	3.1	7.1	1.5
2014	2.1%	0.6%	1.5%	8,906	2,628	6,278	29.5%	84,930	57,496	27,434	2.8	6.4	1.3
2015	2.2%	0.7%	1.5%	10,232	3,421	6,811	33.4%	92,352	61,516	30,836	2.6	5.3	1.3
2016	2.2%	0.9%	1.4%	11,253	4,295	6,958	38.2%	95,493	60,165	35,328	2.5	4.1	1.5
2017	2.5%	1.0%	1.4%	13,154	5,551	7,604	42.2%	95,418	59,276	36,142	2.1	3.1	1.4
2018	2.3%	0.9%	1.4%	13,274	5,275	7,999	39.7%	106,617	66,698	39,919	2.3	3.7	1.4
2019	2.5%	1.1%	1.4%	15,830	6,988	8,842	44.1%	111,846	66,169	45,676	2.0	2.7	1.5
2020	2.8%	1.3%	1.5%	17,689	8,089	9,600	45.7%	113,050	62,241	50,809	1.8	2.2	1.5

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

[1] Net earned premium estimate; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Other MAPFRE Economics Reports

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